

Report No.

Republic of Kazakhstan

Public Finance Management Assessment

Based on the Public Expenditure and Financial
Accountability Framework (PEFA)

June 2009

Europe and Central Asia Region
Poverty Reduction and Economic Management Unit
The World Bank

Document of the World Bank

The report is prepared under the Joint Economic Research Program between the Government of Kazakhstan and the World Bank. The draft report was prepared under contract by ECORYS Research & Consulting.

CURRENCY AND EQUIVALENT UNITS

Currency Unit

US\$1 = 122 Kazakh Tenge

FISCAL YEAR 2007

ACRONYMS AND ABBREVIATIONS

AC	Accounts Committee for the Control of the Republican Budget (Supreme Audit Institution of RK)
CFCP	Ministry of Finance of the Republic of Kazakhstan Financial Control and State Procurement Committee
COFOG	Classifications of Functions of Government
CSPP	Committee of State Property and Privatisation
DRS	Department of Reporting and Statistics
DSA	Debt Sustainability Assessment
GFS	Government Financial Statistics
GRK	Government of the Republic of Kazakhstan
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIST	Integrated Information System of the Treasury Committee of the RK
IMF	International Monetary Fund
INIS	Integrated Tax Information System of the Tax Committee of the RK
INTOSAI	International Organisation for Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
KZT	Kazakh Tenge (National currency of RK)
MA	Ministry of Agriculture of the RK
MDA	Ministries, Departments and Agencies
ME	Ministry of Education of the RK
MEBP	Ministry of Economy and Budget Planning of the RK
MF	Ministry of Finance of the RK
MH	Ministry of Health of the RK
MLSP	Ministry of Labour and Social Protection of the RK
MPSED	Medium Term Programme of Socio-Economic Development
MTFP	Medium Term Fiscal Policy
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Finance Management
PFMR	Public Financial Management Review

PI	Performance Indicator
PMF	Performance Measurement Framework
RBC	Republican Budget Commission
RK	Republic of Kazakhstan
RSE	Republican State Enterprise
SAPF	State Accumulative Pension Fund
SSIF	State Social Insurance Fund
STA	Single Treasury Account
WB	World Bank

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Acknowledgement

We would like to take this opportunity to express our sincere appreciation for the time and contributions of all participants in this process. In particular, we would like to express our gratitude to Mrs. Dina Shazhenova, Executive Secretary of the MEBP, Mrs. Natalya Korzhova, Executive Secretary of Ministry of Finance, Mrs. Gilzhan Karagussova, Chairman of Mazhilis, Chairman of Committee of Finance and Budget, Mr. Abdykadyr Kazbekovich Yusenbayev, Chairman of Finance and Budget Planning Committee of Parliament, Senate, Ms. Mukhamediyeva Almagul Dhumabayevna, Accounts Committee, Mr. Berik Sholpankulov, Deputy Chairman of Treasury Committee of MF, Mr. Kinshakov Argyl, Deputy Head of Tax Committee in charge, MF, Mr. Kairat Elibayevv, head of the Financial Control and Procurement Committee, and Ms. Yekaterina Nikitinskaya, first deputy chairman of the National Economic Chamber of Kazakhstan (Atameken).

A complete list with interviewees has been attached in Annex C. Many interviewees have expressed their genuine interest in both the PEFA methodology and this PFM assessment report and it is suggested that this report is shared broadly with all these participants and other relevant staff in the public sector.

Table of contents

SUMMARY ASSESSMENT	i
1. Introduction	1
A. Objectives	1
B. Scope and methodology	1
C. PFM Performance Measurement Framework (PMF)	2
D. Structure of the Report	3
2. Country Background Information	4
A. Description of the economic situation	4
B. Description of budgetary outcomes	8
Budgets in the Republic of Kazakhstan	8
Fiscal performance of the Republican budget	10
C. Description of the legal and institutional framework for PFM	11
3. Assessment of the PFM systems, processes and institutions	14
A. Introduction	14
B. Budget credibility	15
(i) PI-1 Aggregate expenditure out-turn compared to original approved budget	15
(ii) PI-2 Composition of expenditure out-turn compared to original approved budget	18
(iii) PI-3 Aggregate revenue out-turn compared to original budget	20
(iv) PI-4 Stock and Monitoring of expenditure payment arrears	21
C. Comprehensiveness and transparency	25
(i) PI-5 Classification of the Budget	25
(ii) PI-6 Comprehensiveness of information included in the budget documentation.	28
(iii) PI-7 Extent of unreported government operations	30
(iv) PI-8 Transparency of Intergovernmental Fiscal Relations	32
(v) P1-9 Oversight of aggregate fiscal risk from other public sector entities	35
(vi) PI-10 Public Access to key fiscal information.	39
D. Policy-based budgeting.	41
(i) PI-11 Orderliness and participation in the annual budget process	41
(ii) PI-12 Multi-Year perspective in fiscal planning, expenditure policy and budgeting	43

E.	Predictability and control in budget execution	46
(i)	PI -13 Transparency of Taxpayer Obligations and Liabilities	46
(ii)	PI-14 Effectiveness of Measures for Taxpayer administration and tax assessment	49
(iii)	PI-15 Effectiveness in collection of tax payments	52
(iv)	PI-16 Predictability in the availability of funds for commitment of expenditures	53
(v)	PI-17 Recording and management of cash balances, debt and guarantees	55
(vi)	PI-18 Effectiveness of payroll controls	57
(vii)	PI-19 Competition, value for money	60
(viii)	PI-20 Effectiveness of internal controls for non-salary payments	65
(ix)	PI-21 Effectiveness of internal audit	68
F.	Accounting, recording and reporting	71
(i)	PI-22 Timeliness and regularity of accounts reconciliation	71
(ii)	PI-23 Availability of information on resources received by service delivery units	72
(iii)	PI-24 Quality and timeliness of in-year budget reports	74
(iv)	PI-25 Quality and timeliness of annual financial statements	76
G.	External scrutiny and audit	78
(i)	PI-26 Scope, nature and follow-up of external audit	80
(ii)	PI-27 Legislative scrutiny of the annual budget law	83
(iii)	PI-28 Legislative scrutiny of external audit reports	87
H.	Donor Practices	88
4.	Government Reform Process	90
A.	Description of recent and ongoing PFM reforms	90
B.	Institutional factors supporting reform planning and implementation	91
	Annex A: Terms of Reference	92
	Annex B: List of references	94
	Annex C: List of interviewees	104

SUMMARY ASSESSMENT

Objectives

1. This PEFA report will serve to identify the main strengths and weaknesses in public financial management in Kazakhstan. This will allow putting Kazakhstan's practices against other countries in perspective. The assessment will also provide meaningful indications for further budgetary reform and will be a useful tool to measuring progress in budgetary reform in the future.

Scope and methodology

2. This assessment is based on the PFM Performance Measurement Framework (PMF), an integrated monitoring framework that allows measurement of country PFM performance over time. The assessment concentrates on central government and its financial relationship with statutory bodies. It encompasses the entire spectrum of PFM activities from the linking of policies to plans, budget formulation and preparation, budget execution, accounting, reporting and control to external oversight and legislative scrutiny. It assesses the current status of PFM in Kazakhstan against the internationally agreed indicators. The actual status of PFM in Kazakhstan is scored against the 31 high level indicators set out in the PFM - PMF and is included in this Summary. The Framework identifies six critical dimensions of performance of an open and orderly PFM system and also assesses donor performance. The overall findings of this assignment are grouped under these criteria.

Background

3. Kazakhstan is a land-locked country in Central Asia, situated in the heart of the Eurasian continent. The country has a population of 15.5 million people and is the most urbanised nation in Central Asia (urban population of 52.9%). The annual population growth is estimated at about 1.1%. Kazakhstan possesses enormous fossil fuel reserves and plentiful supplies of other minerals and metals. Kazakhstan's industrial sector rests mainly on the extraction and processing of these natural resources. The country has also a large agricultural sector featuring livestock and grain. Kazakhstan is one of the fastest growing economies of the world. Since 2000 the economy has been growing by around 10% per year. In 2006 and 2007 GDP growth was respectively 10.7% and 8.9%. Rapid economic growth has resulted in employment growth and has pushed up the living standards. The unemployment rate declined from 13.5% in 1999 to 7.3% in 2007. Poverty has declined. At present 13.5% of population lives below the poverty line. However, rural poverty is deeply entrenched. Despite these favourable social and economic developments, the Kazakhstan economy has been experiencing difficult times since the sudden stop of foreign capital (credit) inflows in August 2007. More recently, the world financial crisis and sharp associated declines in export prices have further complicated the situation, and economic growth in Kazakhstan has been slowing considerably.

4. In Kazakhstan budgets are prepared and implemented at different levels: at the national level - Republican budget and the National Fund; and at sub-national level - oblast budgets (14 regions), budgets of republican city level (Almaty) and capital city (Astana) and rayon budgets.

The Republican budget is the national budget and presents the ‘non-oil’ revenues and expenditures at the national level. The budget includes transfers from the Republican budget to oblast budgets (and from rich oblasts to the Republican budget) for fiscal equalisation purposes. Furthermore, the Republican budget contains transfers from the National Fund to the Republican budget. The Republican budget has experienced a surplus of revenues over expenditures in 2005-2007. The National Fund was established in 2000. In this fund revenues from the country’s oil sector are accumulated and a part of these savings are transferred to the Republican budget.

Integrated assessment of PFM performance

5. The PFM analysis has been carried out for the period 2005 to 2007 based on a review of a wide range of documentation, reports and many interviews with a number of stakeholders. The focus of the analysis will be on the Republican budget and only where relevant, the National Fund will be taken into consideration. Sub-national level budgets are addressed when assessing the transparency of intergovernmental relations.

6. The results of the analysis are set out in Table 1 below.

Table 1.1. Summary Assessment

PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
A. PFM-OUT-TURNS: Credibility of the budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	B	-	-	-	B
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	A	-	-	-	A
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	A	-	-	-	A
PI-4	Stock and monitoring of expenditure payment arrears	M1	A	B	-	-	B+
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency							
PI-5	Classification of the budget	M1	B	-	-	-	B
PI-6	Comprehensiveness of information included in budget documentation	M1	C	-	-	-	C
PI-7	Extent of unreported government operations	M1	A	A	-	-	A
PI-8	Transparency of inter-governmental fiscal relations	M2	C	C	A	-	B
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	C	C	-	-	C
PI-10	Public access to key fiscal information	M1	C	-	-	-	C
C. BUDGET CYCLE							
C(i) Policy-Based Budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	B	A	A	-	A
PI-12	Multi-year perspective in fiscal planning, expenditure policy	M2	C	A	D	D	C

PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
	and budgeting						
C(ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	B	A	B	-	B+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	A	B	B	-	B+
PI-15	Effectiveness in collection of tax payments	M1	A	A	A	-	A
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	A	C	B	-	C+
PI-17	Recording and management of cash balances, debt and guarantees	M2	C	A	A	-	B+
PI-18	Effectiveness of payroll controls	M1	B	A	B	B	B+
PI-19	Competition, value for money and controls in procurement	M2	C	B	B	-	B
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	B	C	C	-	C+
PI-21	Effectiveness of internal audit	M1	C	C	C	-	C
C(iii) Accounting, Recording and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	M2	A	A	-	-	A
PI-23	Availability of information on resources received by service delivery units	M1	A	-	-	-	A
PI-24	Quality and timeliness of in-year budget reports	M1	A	A	A	-	A
PI-25	Quality and timeliness of annual financial statements	M1	D	A	C	-	D+
C(iv) External Scrutiny and Audit							
PI-26	Scope, nature and follow-up of external audit	M1	C	B	B	-	C+
PI-27	Legislative scrutiny of the annual budget law	M1	C	C	A	A	C+
PI-28	Legislative scrutiny of external audit reports	M1	A	C	B	-	C+
D. DONOR PRACTICES*							
D-1	Predictability of Direct Budget Support	M1			-	-	N/A
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	M1			-	-	N/A
D-3	Proportion of aid that is managed by use of national procedures	M1		-	-	-	N/A

7. A brief summary of the key findings is set out in the following paragraphs.

Credibility of the budget

8. Kazakhstan scores well related to the credibility of the budget. In the last three years absolute deviations of total actual spending from budgeted expenditures amounted to 9.4% (2005), 2.0% (2006) and 6.0 % (2007). Furthermore, the variance in expenditure composition exceeded the overall deviation in recurrent expenditure by not more than 2.9 percentage-points per year in the period 2005-2007. Also in all the three years the actual domestic revenue out-turns was significantly higher than the budgeted domestic revenues, not taking into account revenues for the National Fund. A minor weakness is that there is no information on the age profile of accounts payable and as a result it is not possible to compile data on payments that have not been made within 30 days from government's receipt of an invoice or from other obligatory payment's date. However, the total sum of payables overdue appears to be rather low in terms of total expenditure.

Comprehensiveness and transparency

9. In the sphere of comprehensiveness and transparency the strengths are: budget classification and the extent of unreported government operations. The budget is prepared on functional, programme and administrative classification. The economic classification is used in budget execution reports. It is noted that the budget classification is not embedded yet in the chart of accounts. National accounting and reporting standards for the public sector are in the process of modernisation. The total level of unreported extra-budgetary expenditures of two extra-budgetary funds (the State Social Insurance Fund and the Accumulative Pension Fund) in 2007 was less than 1%. Furthermore, the Republican budget and budget execution reports provide information on international loans and tied grants. The volume of untied grants in 2007 was about 0.3% of expenditures of the Republican budget.

10. Concerning the transparency of intergovernmental fiscal relations, Kazakhstan scores less well. Although fiscal information (ex-ante and ex-post) of regional budgets is fully consistent with central government fiscal reporting, sub-national governments received reliable information on earmarked transfers only in December, just before the start of the fiscal year and they had to adjust their budgets in the beginning of the next fiscal year. Moreover, earmarked transfers which comprised about 72% of the total amount of transfers were not determined by a transparent and rules-based system.

11. Some other worrisome areas are related to (i) comprehensiveness of information included in budget documentation, (ii) oversight of aggregate fiscal risk from major national holdings and companies, and (iii) the public access to key fiscal information. Only 4 of 9 required PEFA information benchmarks were included in budget documentation submitted to the Parliament in 2007. Financial positions of Republican state enterprises, joint-stock societies with state-owned shares, limited liability partnerships with state-owned stakes are not routinely monitored and key stakeholders, including the MF, the MEBP and Parliament do not have a full consolidated picture.

Furthermore, the system of monitoring sub-national debt is still underdeveloped and regular consolidated overall fiscal risk reporting is lacking. Finally the public has only easy access to the in-year budget execution reports and external audit reports.

Policy-based budgeting

12. The budgeting process is well developed. The politically important Republican Budget Commission (RBC) is involved in the budget formulation process from its early stage. Budgets have been approved before the beginning of the new fiscal in the last three years.

13. Worrying areas are related to the lack of multi-annual budgeting features in the budgeting process. The forecasts of fiscal aggregates are prepared for three years, but relate to state budget (Republican and local budgets) and are not linked to setting of annual ceilings of the Republican budget. Sector strategy documents exist for many sectors. However, there is no example of a link between the financial estimates in such strategies and the multi-year fiscal projections. Furthermore, recurrent expenditures and investment expenditures are still planned separately. Even though future recurrent cost estimates associated with investments are estimated, the one-year budgeting practice didn't necessarily provide appropriate funding for these costs.

14. Positive feature is that a debt sustainability assessment (DSA) is currently being implemented by the National Bank based on the IMF Article IV consultation. Before that DSAs were prepared by the IMF in the context of the annual Article IV consultation.

Predictability and control in budget execution

15. With regard to predictability and control in budget execution, strengths are in the areas of tax collection and administration and payroll. The tax area is rather well developed. The total amount of tax arrears is less than 2% of total collected amount in the last two fiscal years. The tax rules and procedures are both comprehensive and clear for most major taxes. Tax payers are well informed through various channels, including websites, leaflets and media campaigns. The procedures for appeals are clear although it is not really independent as it performs within the state tax system. Kazakhstan has an Integrated Tax Information System (INIS) comprising integrated tax and business registration which is linked to commercial banks. The Code on Administrative violations and Criminal code include provisions about penalties. Furthermore, tax audits are conducted on a regular basis, selected on clear criteria for the corporate tax and VAT.

16. Payroll control is relatively well developed in Kazakhstan. Personnel data and payroll data are not directly linked but the payroll is supported by full documentation for all changes made. Changes to the personnel records and payroll are updated monthly. Payroll audit revealed only a very limited number of irregularities. Payroll audits have been done during the last three years in 22 thousand units out of 27 thousand units (national and sub-national level).

17. With regard to procurement, the procurement laws and regulations have undergone major improvements in recent years. A noticeable weakness is the lack of competition in procurement practices. The level of Single Source Procurement is high (more than 50%) presenting a rather non-competitive picture of public procurement in Kazakhstan. The extensive use of less

competitive methods appears in accordance with regulatory requirements. While procedures for using complaints mechanisms by bidders are in place, the complaint mechanism cannot be considered 'independent' in 2005-2007. However, with the introduction of new procurement legislation in 2008, the complaints mechanism should become more independent.

18. With respect to predictability in the availability of funds for commitment of expenditures, positive feature is that cash flow forecasting is implemented. The Treasury Committee registers all payments and commitments in a centralised computer system. Monthly updates are prepared on the basis of actual cash inflows and outflows. Expenditures of spending units are executed on the base of annual plans of funding. These units are provided with reliable information about available funds for the current year. A less positive feature is that the Treasury Committee issues approvals on the expenditure ceilings on a monthly basis which makes it possible for spending ministries, departments and agencies to plan and commit their expenditures only for a period of one month. The procedures of adjustments are transparent and formalised.

19. In the sphere of recording and management of cash balances, debt and guarantees, the Kazakhstan is using the Single Treasury Account (STA) that contributes to consolidating all government accounts including the accounts of local and central government. A system of contracting loans and provision of state guarantees is in place. Comprehensive and transparent criteria of granting state guarantees are established. The Budget Law determines limits on state guarantees. State guarantees and guaranteed loans are registered and monitored by the MF. A less positive element is that although domestic and foreign debt records are complete and updated, there are some reconciliation problems. Also the information on external debt is too aggregated and is not consistent with the requirements of international statistics.

20. Worrysome areas are related to (i) effectiveness of internal controls for non-salary expenditure, and (ii) effectiveness of internal audit. While the system shows sufficient characteristics of automated commitments control within the IIST Treasury (as confirmed in a World Bank assessment), the internal control system as a whole and internal control activities in particular are fragmented and not fully developed. They are not yet in line with international standards. Evidence of the Accounts Committee shows that rules are complied with in a significant majority of transactions, but use of simplified procedures in unjustified situations is an important concern.

21. In Kazakhstan there is no concept of internal audit in the budget legislation. However, the concept of "internal control" as stipulated in the Budget Code is close to the principles of internal audit. In 2007 Internal Audit units were operational in 13 out of 38 central government entities. The regulatory framework in the form of appropriate standards and rules is in place, but the practice of these units is just beginning to develop. Reports on control findings are issued quarterly, but are not submitted to the supreme audit institution, i.e. the Accounts Committee routinely. Nevertheless, the Accounts Committee has access to reports from Internal Audit units as part of its audits and inspections, and on special request.

Accounting, recording and reporting

22. In the sphere of accounting, recording and reporting Kazakhstan scores well. Strengths are: timeliness and regularity of accounts reconciliation, availability of information on resources received by service delivery units. Furthermore, comprehensive in-year budget reports are available for both for internal use in the government and external use by the public. For the year 2006 the audit report of the Accounts Committee did not reveal material concerns concerning data accuracy.

23. Quality of annual financial statements is by far one of the weakest points of public financial management in Kazakhstan. This is primarily caused as essential information is missing from the annual financial statements, namely balance and financial results report. The annual financial statement consists of only one type of report, i.e. the Annual report on the Republican budget execution which is on the other hand timely submitted to the Accounts Committee for external audit. National accounting and reporting standards for the public sector are not fully developed yet. The report differs quite considerably from the IPSAS standards.

External scrutiny and audit

24. Although there are remarkable improvements in the area of external control and audit in Kazakhstan significant weaknesses remain. The main weakness is the absence of the essential separation of internal control, internal audit and external audit. Although required by international standards, clear definition and positioning of internal control, internal audit and an independent external audit function needs further development and implementation. The scope of external audit did not include the year-end financial statements with respect to the Republican budget and of the Republican government bodies. The government external audit system is not organised fully in line with the international standards (i.e. the principle of the external audit's financial independence is not fixed by law, and a clear distinction between internal and external audit (CFCP subordinated to the MF and AC subordinated to the President) is not (yet) in place. At the same time the external audit is based on proper national standards and performance audit is starting to develop.

25. The parliamentary scrutiny is based on the fiscal policies and aggregates which are developed by the Government and there is little scope for timely revision of detailed estimates in case that Parliament would significantly adjust the aggregates. Although the basic procedures for legislative scrutiny have been established and fulfilled, important procedures have been missing (e.g. parliamentary hearings, participation of highly qualified independent experts in the draft budget's discussions). A positive feature is though that the legislature has at least two and a half months to review the budget proposals. Furthermore, clear rules exist for in-year budget amendments.

26. With respect to in-dept hearings on external audit findings the practice is characterised by the absence of proper parliamentary hearings. On the other hand, scrutiny of external audit reports is usually completed by the legislature within 3 months from receipt of the reports (within the last three years).

Impact of strengths and weaknesses on PFM

27. Strengths and weaknesses in PFM have a direct impact on the budgetary outcomes of aggregate fiscal discipline, strategic allocation of resources and efficient service delivery.

28. At the aggregate fiscal level Kazakhstan performs well. Budget credibility appears to be high which contributes to the maintenance of fiscal discipline. This is supported by the low level of unreported extra-budgetary expenditures of extra-budgetary funds and the fact that fiscal information of regional budgets is fully consistent with central government fiscal reporting.

29. There is, however, less comprehensiveness and transparency due to, for instance, (i) the absence of a transparent and rules-based system concerning earmarked transfers to sub-national levels; (ii) the lack of comprehensiveness of information included in budget documentation, (iii) insufficient oversight of aggregate fiscal risk from other public sector entities, (iv) lack of competitive practices in procurement and (v) the limited public access to key fiscal information. This might put this fiscal discipline achievement at risk.

30. Fiscal discipline is also promoted by the well functioning Single Treasury Account and the strong procedures and practices in the areas of tax collection and administration and payroll. This allows also spending units to implement their activities efficiently as resources are made available to them in a predictable way. The use of less competitive forms of procurement reduces, however, efficient implementation of the available government resources.

31. While there is good control of the fiscal aggregates, the first steps have been taken to strengthen the ability of the government to reallocate resources from lower to higher priorities and from less effective to more effective programmes in any substantial manner. Sector strategies appear to be stand-alone documents disconnected from the annual budgetary process. Features of multi-annual budgeting are still lacking which endanger aggregate fiscal discipline and efficient resource allocation in a medium term perspective.

32. The lack of competition in procurement practices, the fragmented internal control system, the insufficiently developed internal and external audit functions undermine confidence in the public financial management system, raising potential doubts on the figures produced and thus on the exact impacts on all three levels of public financial management, i.e. aggregate fiscal discipline, strategic planning and performance budgeting.

Prospects for reform planning and implementation

33. Public finance management (PFM) reform in Kazakhstan took place in 1996 with the adoption of the “Law On the budget system”. The reforms passed through different stages. The main impetus to PFM reform was clearly outlined in the strategy “Kazakhstan in course for 2030”, which was adopted in 1997. The tasks to introduce strategic planning, financial programming and project management were announced in this strategy.

34. The Ministry of Finance made serious progress in implementing modern information systems. Since 2001 the Integrated Information System of the Treasury (IIST) has been

operational in the Treasure Committee. The system is recognised as the most advanced financial management information system of the CIS countries.

35. In 2000-2001 program budgeting was introduced. Programmes should be based on strategic priorities and strategic goals set by the government. Introduction of the Budget Code 2004 was an important milestone of budgetary reform in Kazakhstan which consolidated and streamlined the novelties of 2001-2004. The Budget code stipulated budget formulation on the basis of programmes. The Code established also medium-term budget planning, set up basic rules and procedures of budget execution, and stressed the issue of financial control.

36. In 2004 the government developed a medium-term fiscal policy for 2005-2008 which was taken into account during the formulation of the budget for 2005. In December 2007 the Government approved “The Concept on introduction results-oriented budgeting”. Starting with 2007-2008 the line ministries and agencies started to integrate strategic planning with budget programming and introduced performance-oriented budgeting.

37. An important institutional factor supporting budget reform has been the establishment of the MEBP which took over the budget formulation functions previously performed by Ministry of Finance. The reform is very much driven by the President of Kazakhstan. Strategic documents and annual presidential addresses establish the objectives of the reform in political and economic areas.

38. Subsequent to the period of time documented in this PEFA, the Government embarked on a major budgetary reform initiative. The primary goal of this new reform was to introduce more strategic and medium-term budgeting with a strong orientation toward results. The Budget Code was revised accordingly in 2008 along with the drafting of strategic sectoral programs, performance indicators, the introduction of 3-year budgeting on a rolling basis, and a strong focus on results monitoring.

39. The current wave of budgetary reform in Kazakshtan has the potential to address a number of the weaknesses identified in this PEFA, particularly the “multi-year perspective in fiscal planning and expenditure policy” and the “comprehensiveness of financial reporting,” which is being expended to results monitoring. Hopefully, a subsequent PEFA following the implementation of the current reform will demonstrate important progress in these areas.

40. Other areas identified in this PEFA should probably receive more attention. This includes the integration of budgetary planning for current and capital expenditures, which is important for the success of the type of results-based budgeting that the Government is pursuing. Recent changes in the procurement regulations may have a positive impact on state budgetary procurement. At the same time, 2009 has witnessed the expansion of off-bugetary procurement though the state holding Samruk-Kazyna that was made entirely exempt from state procurement regulations. This does reflect a priority for greater flexibility for the implementation of the Anti-Crisis Program of the Government, and may only be a temporary deviation. But it is still a potentially dangerous precedent that will need attention after the crisis is over. The quality of internal and external audit should improve under reforms that expanding these insitutions to results montoring. Yet, the PEFA identifies other issues in internal and external audit that might also be addressed.

1. Introduction

A. Objectives

1.1 The Terms of Reference for the assignment are included as Annex A. The government of the Republic of Kazakhstan is currently engaged in budgetary reform, with the primary goal of strengthening the strategic and results-oriented nature of public expenditures. For this purpose, the government has signed a Memorandum of Understanding with the World Bank concerning a/o the preparation of a comprehensive Public Financial Management Review (PFMR).

1.2 One of the central tasks of the PFMR is the preparation of a Public Expenditure and Financial Accountability (PEFA) Review according to the guidelines of the PEFA Secretariat of June 2005. A PEFA review will serve to expose key strengths and weaknesses in public financial management in the country, and will benchmark Kazakhstan against other countries and itself in key areas. This would play an important role in both directing attention in the current budgetary reform process to areas which would require improvements, and in helping Kazakhstan to measuring progress in budgetary reform in the future.

B. Scope and methodology

1.3 This report has been prepared by external consultants from ECORYS Research & Consulting and appointed under a contract with the World Bank.

1.4 This report represents a comprehensive assessment of Public Financial Management practices in Kazakhstan. In 2005 and 2006 two Public Expenditure Tracking Surveys (PETS) of schools and primary health clinics have been conducted in the framework of technical assistance to Kazakhstan by the World Bank. The first PETS – ‘Review of Public Expenditures and Investments in the Field of Healthcare and Education’ – was prepared in 2005. It analysed public expenditures and investment in the field of healthcare and education and examined cash flows at all levels.¹

1.5 This PEFA assessment is based on a desk study of existing reports, legal documents, information provided on the official websites of Kazakhstan Republican ministries and committees, and statistical data. During two field missions, the team of experts collected and analysed a number of additional reports and documents and have held numerous interviews with key actors of key governmental institutions in Kazakhstan. In addition a short field mission was made to Karaganda oblast to better understand central and sub-national fiscal relations.

1.6 A number of interviews have been held with key representatives of the Ministry of Economy and Budget Planning (MEBP), Ministry of Finance (MF), Treasure Committee, Tax Committee, Committee on Financial Control and Procurement, the Senate and Mazhilis of the Parliament, the Accounts Committee, Ministry of Education, Ministry of Health, Ministry of Agriculture and the

¹ Kazakhstan Review of Public Expenditures and Investments (in education and healthcare systems)
EW-P088990-ESW-BB

Ministry of Labour and Social Protection. The interviews have been helpful in providing qualitative assessments and understanding better the actual situation on the ground. The programme of interviews took into account the importance of having follow-up discussion with senior staff of the Ministry of Economy and Budget Planning. This enabled the mission to verify findings of the interviews with the line ministries and to collect additional information.

1.7 The World Bank office in Astana has coordinated the meetings with government officials, the Parliament and with the donor community.

C. PFM Performance Measurement Framework (PMF)

1.8 The PEFA Performance Management Framework is an integrated monitoring framework that allows measurement of country PFM performance over time. It has been developed by the PEFA partners, in collaboration with the OECD/DAC Joint Venture on PFM as a tool that can provide reliable information on the performance of PFM systems, processes and institutions over time. The information provided by the framework is also intended to contribute to a government's reform process by determining the extent to which reforms are yielding improved performance and by increasing the ability to identify and learn from reform success.

1.9 It is also intended to facilitate harmonization of the dialogue between government and donors around a common framework measuring PFM performance and therefore contribute to reduced transaction costs for partner governments. Against six core dimensions of PFM performance, a set of high-level indicators measures the operational performance of the key elements of the PFM systems, processes and institutions of a country central government, legislature and external audit. The dimensions distinguished are:

- **Credibility of the budget** – The budget is realistic and is implemented as intended.
- **Comprehensiveness and transparency** – The budget and fiscal risk oversight are comprehensive and fiscal and budget information is accessible to the public.
- **Policy-based budgeting** – The budget is prepared with due regard to government policy.
- **Predictability and control in budget execution** – The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds.
- **Accounting, recording and reporting** – Adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes.
- **External scrutiny and audit** – Arrangements for scrutiny of public finances and follow up by executive are operating.

This report provides the detailed assessment of Kazakhstan's PFM systems against these various criteria.

D. Structure of the Report

1.10 The report is set out as follows: Chapter 2 provides a brief overview of the economic situation, the legislative and institutional framework for PFM in Kazakhstan and the status of ongoing reform initiatives. Chapter 3 sets out the status of PFM performance against the six core dimensions. For each indicator, the actual situation is described and the recent and proposed trends and initiatives explained in more detail. Chapter 4 touches upon the recent reform initiatives that have been initiated by the President and the government of Kazakhstan.

2. Country Background Information

A. Description of the economic situation

Economic developments

2.1 Kazakhstan is a land-locked country in Central Asia, situated in the heart of the Eurasian continent. The country has a population of 15.5 million people and is the most urbanised nation in Central Asia (urban population of 52.9%). The annual population growth is estimated at about 1.1%.

2.2 Kazakhstan is a unitary state. The President is the head of state. He appoints the prime minister and the cabinet and defines the major directions in domestic and foreign policy. The legislative branch comprises a lower house (the Majlis) and an upper house (the Senate).

2.3 Kazakhstan possesses enormous fossil fuel reserves and plentiful supplies of other minerals and metals. Kazakhstan's industrial sector rests mainly on the extraction and processing of these natural resources. The country has also a large agricultural sector featuring livestock and grain.

2.4 Kazakhstan has been one of the fastest growing economies of the world and outpaced all other Central Asian countries. From 2000-2007, the economy grew by around 10% per year. In 2006 and 2007 GDP growth was respectively 10.7% and 8.9%. This economic performance has been occurring in many sectors of the economy.

2.5 The country's GDP at current market prices comprises of private consumption (49.4%), government consumption (11.6%), export of goods and services (53.9%), import of goods and services (-/ -42.5%), stock building (2.5%) and gross fixed investment (25.4%).

2.6 Foreign trade has been increasing over the past ten years at an annual average growth rate of 19.1%. Continuing high oil prices and rising export volumes led to a steady narrowing of the current account deficit in 2001 and 2002. The current account balance was -/ -0.6% of GDP in 2003 and turned into a surplus of 1.3% of GDP in 2004. In 2005 the current account balance moved again into a deficit which was caused by high income remittances to foreign direct investors and sharp increases of imports, including imports by the oil sector (construction, consultancy and geology). While in 2007 the current account balance was still negative, it is expected that a positive balance will be reached in 2008 due to high oil and gas prices and declining import volumes.

2.7 Russia is one of Kazakhstan's main trading partners and also its major source of imports. The exports to the Western countries consist mainly of raw materials, particularly oil and metals.

Table 2.1 Macroeconomic indicators, 2004 – 2007

Indicator	2004	2005	2006	2007
GDP per capita (USD)	2,874	3,771	5,292	6,771
GDP growth (%)	9.6	9.7	10.7	8.9
Inflation (%)	6.9	7.6	8.6	10.8
Oil price (crude oil in USD/barrel)	37.8	53.4	64.3	71.1
KZT/EUR exchange rate	169.04	165.42	158.27	167.75
KZT/USD exchange rate	136.04	132.88	126.09	122.55

Sources: National Bank, Statistical Agency

2.8 Recent official data show that the current economic expansion in Kazakhstan was primarily driven by consumption which is fuelled by the oil wind fall.

2.9 Rapid economic growth has resulted in employment growth and has pushed up living standards. The unemployment rate declined from 13.5% in 1999 to 7.3% in 2007. Poverty has declined. At present 13.5% of population lives below the poverty line. However, rural poverty is deeply entrenched. Ethnic Kazakhs located in the south are among the poorest of the population.

2.10 Despite these favourable social and economic developments, the Kazakhstan economy has been experiencing difficult times since the sudden stop of foreign capital (credit) inflows in August 2007. More recently, the world financial crisis and sharp associated declines in export prices have further complicated the situation, and economic growth in Kazakhstan has been slowing considerably.

Government reform programme

2.11 Since 1997, reforms have been announced in various strategic policy documents of the government. These documents include:

- “Kazakhstan on course for 2030”
- Addresses by the President
- Kazakhstan’s strategy of joining the world’s 50 most competitive countries - Kazakhstan is on the threshold of a major breakthrough in its development”
- New Kazakhstan in the New World
- Programme of the Government of RK for 2007-2009

2.12 The long-term strategy “Kazakhstan in course for 2030 – Prosperity, security and ever growing welfare of all the Kazakhstanis” has been a major strategic document. In this document long-term priorities are identified, including further development of strategic planning, financial programming and project management.

2.13 The Programme of the Government of RK for 2007-2009 outlines a wide ranging and ambitious programme for the next three years. The programme include the implementation of

breakthrough economic projects of major national significance, developing five or six clusters with the greatest competitive edge, such as biotechnology, logistics, transport and communications and efforts to pursue administrative reforms. The programme indicates five strategic objectives:

- Optimisation of state planning and budgetary policy;
- Provision of regulatory functions for economic processes to facilitate the development of the business environment in Kazakhstan;
- Optimisation of investment policy;
- Optimisation of regional development policy;
- Increasing the efficiency of government institutions.

2.14 Public finance management (PFM) reform in Kazakhstan took place in 1996 with the adoption of the “Law on the budget system”. The fiscal policy aimed to restrict spending and to ensure macroeconomic stabilisation. Already in 1995, Kazakhstan implemented tax reforms by the issuance of a presidential decree on taxes. In order to stimulate the economy, the number of taxes was substantially decreased. The main impetus to PFM reform was clearly outlined in the strategy “Kazakhstan in course for 2030”, which was adopted in 1997. The tasks to introduce strategic planning, financial programming and project management were announced in this strategy.

2.15 The reforms passed through different stages. In 2000-2001 programme budgeting was introduced. Programmes would be based on strategic priorities and strategic goals set by the government. Since 2002 the budget has been divided into two parts: (i) current expenditure and (ii) capital expenditure. Moreover, in 2002 the Ministry of Economy and Budget Planning (MEBP) was established and became a key player in policy reform and in co-ordinating economic and budgetary policies. In order to improve budget transparency, the Republican Budget Commission was established.

2.16 The Ministry of Finance made serious progress in implementing modern information systems. Since 2001 the Integrated Information System of the Treasury (IIST) has been operational in the Treasury Committee. The system is recognised as the most advanced financial management information system of the CIS countries. The IIST is based on Oracle software and contains eight modules.² According to the World Bank’s review of treasury systems quality among Central and Eastern Europe and Asian countries of 2007, the IIST is ranked as the second best system, just after the system in Turkey.

2.17 The Tax Committee is using a modern Integrated Tax Information System (INIS) which covers 224 territorial tax bodies. The system includes a one-window registration system.

2.18 The introduction of the Budget Code 2004 has been an important milestone of PFM reform in Kazakhstan. The new Code consolidated and streamlined the budgetary innovations of 2001 till 2004. The Budget code stipulated that budget formulation should be done on the basis of programmes. All ministries were considered to be *programme administrators*. The Budget Code established as well medium-term budget preparation, basic rules and procedures for budget execution, and stressed the importance of financial control. The Budget Code introduced also basic regulations of the National Fund (see section B below) . In the same year the government developed a medium-term fiscal policy (2005-2008) which was taken into account during the formulation of the budget for 2005.

2.19 In the Programme of the Government of RK for 2007-2009 the concept of budget planning reform was further developed. The aim was to integrate strategic planning with budget programming and to introduce results-oriented budgeting. In December 2007 the “*Concept of introduction of results-oriented budgeting*” was approved by the government. Line ministries and agencies would integrate strategic planning with budget programming and would introduce performance-oriented budgeting. The reform started with three pilots, including the Ministry of Economy and Budget

² General ledger, Revenues management, Commitments management, Payments management, Cash management, Assets management, Foreign currency transactions accounting, and System interface with the National Bank (which keeps the single treasury account).

Planning, the Ministry of Finance and one oblast. In 2008 all government institutions are required to elaborate strategic plans. These plans would define mission, vision, goals and tasks of the ministry in the related sector, and would set out key output and outcome-oriented performance indicators. These strategic plans would contain new budget programmes which would substitute the previous programmes.

B. Description of budgetary outcomes

Budgets in the Republic of Kazakhstan

2.20 In Kazakhstan budgets are prepared and implemented at different levels: at the *national level* - Republican budget and the National Fund; and at *sub-national level* - oblast budgets (large cities at the level of an oblast) and rayon budgets.

(i) Republican budget

2.21 The Republican budget is the national budget and presents the 'non-oil' revenues and expenditures at the national level. The budget includes transfers from the Republican budget to oblast budgets (and from rich oblasts to the Republican budget) for fiscal equalisation purposes. Furthermore, the Republican budget contains transfers from the National Fund to the Republican budget.

(ii) National Fund

2.22 The National Fund was established in 2000. In this fund revenues from the country's oil sector are accumulated. Annually, a part of these savings are transferred from the National Fund to the Republican budget. The National Fund has a stabilising function as well as a savings function. In accordance with the legislation³, "the Fund shall seek to provide a stable socioeconomic development and it shall reduce the economy's dependence on the oil sector." Therefore, it is intended to prevent the national economy from overheating and to avoid the so called 'Dutch Disease'. As a consequence, the National Fund is a vehicle (i) to save a part of the oil related revenues for future generations, and (ii) to cushion strong fluctuations of oil revenues. Although the President of the RK has discretionary powers to use the National Fund, all expenditure from the National Fund is channelled through the Republican Budget – except of those expenditure related to the management of the fund itself⁴. The amount of the annual transfers from the National Fund to the Republican Budget is regulated by the Budget Code and is incorporated in the Republican Budget. The National Fund is therefore not considered as an 'extrabudgetary fund'. Monthly reports on the performance of the National Fund are published by the Ministry of Finance on its website. The Government and the National Bank compile and publish annual reports on formation and usage of the National Fund which include the National Bank's report on trust management and the audit report prepared by external auditors.

³ Budget Code of the Republic of Kazakhstan of April 2004, article 11 National Fund of the Republic of Kazakhstan

⁴ Average expenditure over 2005-2007 for managing the National Fund was 1.1% of total expenditures in this period and 0.06% of the average size of the National Fund.

Box 2.1 Key Characteristics of the National Fund ⁵

- The trust management of the Fund is carried out by the National Bank. (Art. 11 Budget Code)
- The annual transfer (guaranteed amount) from the National Fund to the Republican Budget is limited to one third of the size of the fund at the end of the previous year. (Art. 24 Budget Code)
- A Council on management of the National Fund is established by the President. This consultative-advisory body manages and monitors the Funds' activities. (Art. 25 Budget Code)
- The revenues of the National Fund constitutes mainly of direct taxes from oil sector enterprises, including corporate income tax, excess profit tax, royalties, bonuses, share in production sharing etc. (Art. 49-1 Budget Code; Tax Code)
- The GRK establishes and implements procedures for assigning funds to the National Fund and the use of the funds of the National Fund. It ensures the annual auditing of the funds by an independent external Auditor. (Art. 58 Budget Code)
- The GRK – in collaboration with the National Bank - drafts an annual report of the National Fund. (Art. 129 Budget Code)
- The President of the Republic of Kazakhstan has discretionary power over the use of National Fund's Resources (Budget Code)

2.23 Table 2.2 presents the fiscal performance of the National Fund.

Table 2.2: Performance of the National Fund, in billion KZT⁶

	2005	2006	2007
Balance at the beginning of the FY	667.0	1,080.0	1,853.4
Total Revenue	413.7	774.3	1 139.3
• <i>Oil sector revenues⁷</i>	357.3	682.7	1 037.9
• <i>Other revenues including investment income</i>	56.4	91.6	102.2
Total Expenditure	0.7	0.9	259.3
• <i>Transfers to the Republican Budget</i>	0	0	258.0
• <i>Other expenditure related to fund management</i>	0.7	0.9	1.3
Balance at the end of the FY *	1,080.0	1,853.4	2 733.4
Revenues as percentage of GDP	5.5%	7.6%	8.8%
Balance at the end of the year as percentage of GDP *	14.2%	18.1%	21.3%

⁵ Besides the Budget Code, other relevant official documents are: The Governmental Resolution of 25.08.2006 “About the Rules of calculating guaranteed transfers from the National Fund for the three years period; and “The Conception of forming and spending resources of the National Fund in mid-term perspective”, approved by the Decree of the RK President of 1.09.2005.

⁶ Source: website of the Ministry of Finance, www.minfin.kz

⁷ Including transfers from the republican budget to the National Fund in 2005 (9.8 bln KZT) and 2006 (12.6 bln KZT). In 2007 there were no transfers from the republican budget to the National Fund.

2.24 In this report the focus will be on the Republican budget and only where relevant, the National Fund will be taken into consideration. Sub-national level budgets are addressed when assessing the transparency of intergovernmental relations.

Fiscal performance of the Republican budget

2.25 The budgetary outcomes of the Republican budget are presented in Table 2.3.

Table 2.3: Actual Central Government budget (Republican budget), in billion KZT⁸

	2005	2006	2007
Revenues	1,723.9	1,847.2	2,221.5
Expenditures	1,537.7	1,686.3	2,068.3
<i>Operating result</i>	186.2	160.9	153.2
Net Budget Credits	48.2	15.8	-3.0
Balance of transactions with financial assets	91.3	90.3	368.7
Deficit/Surplus	46.7	54.7	-212.5
Gross Domestic Product ⁹	7,590.6	10,213.7	12,849.8

2.26 Kazakhstan has experienced a surplus of revenues over expenditures in 2005-2007. Taking into account budgetary credits and financial transactions, the balance was positive in 2005 and 2006 and negative in 2007.

⁸ The figures presented in this table are not adjusted for inconsistent accounting of oil revenues and transfers with the National Fund and include debt servicing expenditure

⁹ Source: Statistical Bulletin of March 2008.

**Table 2.4: Actual budgetary allocations in the Republican budget by sectors
(as percentage of total expenditure)**

	2005	2006	2007
Total Expenditure	100.0%	100.0%	100.0%
State services of general character	5.4%	5.4%	5.8%
Defence, civil order and security	4.7%	5.7%	7.8%
Legal, judiciary, criminal execution activities	8.1%	8.7%	9.5%
Education	4.3%	6.0%	7.2%
Health care	3.7%	4.7%	4.9%
Social assistance and social security	20.5%	23.1%	22.4%
Public utilities system	1.7%	3.1%	3.5%
Culture, sport, tourism and information	1.7%	2.4%	3.0%
Fuel and energy sector and subsurface use	1.6%	1.9%	2.4%
Agro-industrial complex, water, forestry, fishery and environment protection	4.1%	4.3%	4.5%
Industry, architecture, urban construction, construction activity	0.1%	0.1%	0.3%
Transport and communications	5.9%	7.3%	10.5%
Other	3.9%	4.9%	7.2%
Debt servicing	1.9%	1.7%	1.6%
Transfers	32.5%	20.7%	9.3%

Source: Statistical Agency, Statistical Bulletin of December 2007

2.27 Social assistance and social security and transfers are the largest expenditure items in the Republican budget. Expenditure on education, health, housing and public utilities expenditure are less dominant as most spending on these items is done at the sub-national level. The share of expenditure on transport and communications in the Republican budget increased from 5.9% in 2005 to 10.5% in 2007. The expenditure share of legal, judiciary, criminal execution activities slightly increased from 8.1% in 2005 to 9.5% in 2007.

C. Description of the legal and institutional framework for PFM

Legal framework

2.28 The legal framework for the management of public finance in Kazakhstan consists of the following legal and regulatory documents:

- The Constitution of the Republic of Kazakhstan (1995)
- The Budget Code (2004, with amendments in 2004-2008)
- Decree of the President of the Republic of Kazakhstan of September 17, 2004, No 1443 “On Approval of the Rules for Preparation and Submission of the Report on Execution of the Republican Budget”
- Governmental orders and decrees on budget classification and budget accounting
- Resolution of the Government of RK of 20 March 2007 №225, “The Rules on Execution of the Republican and Local Budgets”
- Resolution of the Government RK of December 24 2004 “On the unified budget classification of RK”

2.29 In terms of tax and non-tax revenue collection, the relevant acts are:

- Tax Code (2001, with amendments in 2002-2007)
- Customs Code (2003)
- Code of the Republic of Kazakhstan on Administrative violations (2001, with amendments in 2001-2007)

Institutional framework

2.30 The institutional and individual roles and responsibilities regarding public financial management are set out in the Constitution, the Budget Code, decrees of the President, regulations of the Government as well in strategic policy papers.

2.31 The Budget Code describes the roles and responsibilities concerning the annual budget law, the organisation of the budgetary system, including budget classification, intergovernmental fiscal relations, rules and procedures for budget formulation, budget execution, reporting and audit.

2.32 According to the Budget Code (chapter 54), the following institutions are involved in PFM in Kazakhstan:

- the President
- the Parliament
- Accounts Committee
- Central Authorised body on economic planning (i.e. the Ministry of Economy and Budget Planning)
- Central Authorised body on budget planning (i.e. the Ministry of Economy and Budget Planning)
- Central Authorised body on budget execution (i.e. the Ministry of Finance)
- Central Authorised body on internal control
- Local executive bodies

2.33 The Parliament approves the Republican budget and the amendments to the Republican budget and establishes taxes and duties.

2.34 The government submits the Republican budget and budget execution report to the Parliament. Two major ministries are responsible for budget formulation and implementation: the Ministry of Economy and Budget Planning (MEBP) and the Ministry of Finance (MF). In 2002, the MEBP received extended coordinating and strategic responsibilities concerning budgeting.

2.35 Currently the MEBP is the central executive institution responsible for institutional coordination, development of social and economic policy, macroeconomic and fiscal forecasting, strategic planning and budgetary and fiscal policies. The MEBP elaborates the draft consolidated budget and the Republican budget, which are submitted to the Government. The MEBP is also responsible for public enterprises and state property management.

2.36 The MF is responsible for budget execution and control, accounting, customs and taxes, internal financial control and public procurement. Six executive committees are subordinated to the Ministry of Finance, namely: (i) Treasure Committee; (ii) Tax Committee; (iii) Custom Control Committee; (iv) Financial Control and State Procurement Committee; (v) Insolvent Debtors Committee; and (vi) State Property and Privatisation Committee.

2.37 The Republican Budget Commission (RBC) is the institution that facilitates political involvement in the budget formulation process. The RBC is chaired by the Prime Minister. This commission includes also the deputy Prime Minister, the minister of Justice, the minister of Economy and Budget Planning, the minister of Finance, the chairman of the Statistical Agency, the chairman of the National Bank and two members of the Parliament.

2.38 Line ministries are responsible for planning and implementation of their respective budget programmes. In the Budget code and in the annual budget these line ministries are indicated as “Administrators of Budget programmes”.

2.39 The Accounts Committee is responsible for external control over the execution of the Republican budget. This committee is directly subordinated and accountable to the president of the Republic of Kazakhstan.

3. Assessment of the PFM systems, processes and institutions

A. Introduction

3.1 This chapter provides the detailed assessment of the PFM indicators contained in the PFM PMF framework. The summary of scores is attached as Annex E. As this is the first time that the final set of performance indicators (PIs) have been used in Kazakhstan and shared with all stakeholders, this paragraph contains some additional details on the scoring methodology. It should be stressed that the scoring methodology does not recognise ongoing reforms or planned activities.

3.2 Each indicator contains one or more dimensions in order to assess the key elements of the PFM process. Two methods of scoring are used. Method 1 (M1) is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator). A plus (“+”) sign is indicated, where any of the other dimensions have a higher scoring.

3.3 Method 2 (M2) is based on averaging the scores for individual dimensions of an indicator. It is prescribed for selected multi-dimensional indicators, where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. Though the dimensions all fall within the same area of the PFM system, progress on individual dimensions can be made independently of the others and without logically having to follow any particular sequence. A conversion table is then provided for 2, 3 and 4 dimensional indicators to arrive at the overall score. In both scoring methodologies, the ‘D’ score is considered the residual score, to be applied if the requirements for any higher score are not met.

B. Budget credibility

3.4 The indicators in this group assess to what extent the budget is realistic and implemented as intended, particularly by comparing the actual revenues and expenditures with the originally approved ones, and analysing the composition of expenditure out-turn. The table below summarises the assessment of indicators relating to the “credibility of the budget” dimension of PFM performance.

Table 3.1: Credibility of the budget

A. PFM-OUT-TURNS: Credibility of the budget				
Indicator		Score	Dimensions	Scoring method
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	(i) B	M1
PI-2	Composition of expenditure out-turn compared to original approved budget	A	(i) A	M1
PI-3	Aggregate revenue out-turn compared to original approved budget	A	(i) A	M1
PI-4	Stock and monitoring of expenditure payment arrears	B+	(i) A (ii) B	M1

(i) PI-1 Aggregate expenditure out-turn compared to original approved budget

3.5 For scoring this indicator, the actual expenditures as reported in the annual budget execution reports published by the Ministry of Finance have been compared to the expenditures as presented in the original budgets approved by the Parliament¹⁰. It is noted that the audit results of the 2007 budget execution report were not publicly available at the time of writing this report. As a result, the deviation for 2007 is based on the data which were not externally audited. The table below shows the deviations between the budgeted and actual primary expenditures for the fiscal years 2005 till 2007. Debt servicing costs have been excluded. Grants have not been excluded since they are not substantial.

Table 3.2: Aggregate expenditure out-turn compared to original approved budget

Amounts in billion KZT	Expenditures			Normalised Expenditures		
	2005	2006	2007	2005	2006	2007
Approved budgeted primary expenditures	1,054.9	1,443.3	1,919.2	1,042.0	1,432.7	1,919.2
Actual primary expenditure out-turn	1,508.0	1,658.1	2,034.6	1,140.9	1,462.3	2,034.6
Difference	43.0%	14.9%	6.0%	9.5%	2.1%	6.0%

¹⁰ At this moment only data from the statistical bulletin published by the Ministry of Finance have been used. Verification of data with official audited budget execution reports – by the Accounts Committee for Control over the Republican Budget Execution – could not be done since audited financial statements were only to a very limited extent provided to the PEFA team.

3.6 Table 3.2 shows both primary expenditure out-turn figures and normalised primary expenditures out-turn figures. The PEFA team has normalised the expenditure figures to allow for proper comparison over years and comparison between budgeted and actual expenditures in the same year. The reason for the adjustment is to eliminate accounting inconsistencies in 2005 and 2006. The accounting inconsistencies do not relate to over- or under spending.

3.7 The original actual revenues and expenditure in the Republican Budget for fiscal years 2005 and 2006 included oil-related revenues and subsequent transfer of those revenues to the National Fund. These oil-related revenues and expenditures (transfers) were, however, not included in the budgeted revenues and expenditure and were - in accordance with the Budget Code - supposed to flow directly into the National Fund instead of being channelled through the Republican Budget. Mid-2006 the system for accounting of oil related revenues in the National Fund and Republican Budget has been changed. More details about the National Fund can be found in section 2.B.ii of this report. For scoring indicator PI-1 the normalised expenditure outturn has been used.

3.8 Table 3.3 provides insight in the differences between budgeted and actual recurrent and capital expenditure based on the functional classification. Transactions with financial assets are not taken into account.

Table 3.3: Aggregate expenditure out-turn compared to original approved budget by functional classification

Expenditure out-turn compared to original approved budget by functional classification¹¹			
	2005	2006	2007
Total expenditure excluding debt servicing	9.5%	2.1%	6.0%
1. State services of general character	20.5%	11.9%	1.8%
2. Defence	3.6%	-1.7%	-1.1%
3. Public order, safety, legal, judicial, criminal execution activities	12.0%	4.2%	6.4%
4. Education	15.5%	-0.7%	17.0%
5. Health	1.0%	-0.6%	3.7%
6. Social aid and social provision	10.3%	0.4%	-0.5%
7. Public utilities system	11.5%	20.0%	12.9%
8. Culture, sports, tourism and information network	9.7%	14.2%	28.5%
9. Fuel and energy sector and subsurface use	5.1%	12.4%	34.0%
10. Agricultural, water, forest, fish, natural area of preferential protection, environmental and animal world protection, land relations	1.1%	-2.6%	2.7%
11. Industry, architecture, urban construction, construction activity	0.4%	-0.3%	10.8%
12. Transport and communications	2.6%	3.2%	34.6%
13. Other	54.2%	-4.5%	-8.4%

¹¹ Expenditure exclusive of debt servicing and adjusted for oil-revenue inconsistencies

Expenditure out-turn compared to original approved budget by functional classification ¹¹			
	2005	2006	2007
15. Transfers ¹²	0.0%	0.0%	0.0%

3.9 It is noted that in all the three years budget amendments took place. The revised budgets reflected higher expenditures than the originally budgeted expenditures. The departures from the original budget are well covered in budget amendments approved by the parliament and decreed by the President (see table below).

Table 3.4: Budget documents approved by the parliament for fiscal years 2005-2007

Budget documents approved by the parliament for fiscal years 2005-2007	
2005	Budget approved by Parliament on 2 December 2004 Revised budget approved by Parliament on 16 May 2005
2006	Budget approved by Parliament on 22 November 2005 Revised budget approved by Parliament on 5 July 2006
2007	Budget approved by Parliament on 8 December 2006 Revised budget approved by parliament on 21 May 2007 Revised Budget approved by Parliament on 22 October 2007

Table 3.5: PI-1 Aggregate expenditure out-turn compared to original approved budget

PI-1 Aggregate expenditure out-turn compared to original approved budget		
Score	Minimum requirements	Justification, comments and cardinal data
B	In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10% of budgeted expenditure	<i>Justification:</i> Absolute deviations amounted to 9.4% (2005), 2.0% (2006) and 6.0 % (2007). <i>Comment:</i> Figures are adjusted for inconsistency in accounting of oil revenues for the National Fund. Also debt servicing cost have been deducted. <i>Source of information:</i> Own calculations based on approved budgets 2005-2007, audited budget execution reports 2005-2006 and un-audited budget execution report 2007 ¹³ .

¹² Transfers are in this table not adjusted for inconsistent oil revenues accounting.

¹³ Only the statistical bulletins of the Ministry of Finance are used for actual data. Audited financial statements were not available to the PEFA team.

(ii) PI-2 Composition of expenditure out-turn compared to original approved budget

3.10 This indicator measures the extent to which reallocations between budget lines have contributed to variance in expenditure composition beyond the variance resulting from changes in the overall level of expenditure. For assessing this indicator the variations in expenditure based on the preferred administrative classification is used. Although also information based on functional classification is available, the main budget lines do not fully match¹⁴ – and cannot be easily converted to – the GFS/COFOG ten main functions (see also PI-5).

¹⁴ Functional budget line “II.10. Agricultural, water, forest, fish, natural area of preferential protection, environmental and animal world protection, and relations” in the republican budget relates both to GFS classification 704 Economic Affairs and 705 Environmental Protection.

Table 3.6: Composition of expenditure out-turn compared to original approved Republican budget

Composition of expenditure out-turn compared to original approved Republican budget			
	2005	2006	2007
Ministry of Labour and Social Protection	10.4%	0.4%	0.4%
Ministry of Finance (1)	17.5%	5.6%	4.0%
Ministry of Transport and Communication	2.8%	4.0%	35.1%
Ministry of Defence	0.9%	2.7%	2.1%
Ministry of Education and Science	17.1%	0.0%	15.8%
Ministry of Health	1.4%	0.8%	3.6%
Ministry of Agriculture	0.8%	1.7%	3.3%
Ministry of Industry and Trade	13.7%	17.6%	12.1%
Committee for National Security	6.8%	2.9%	12.3%
Ministries of Culture, Information, Tourism, Sports (2)	7.1%	15.2%	30.5%
Ministry of Internal Affairs	14.4%	4.4%	1.2%
Ministry of Energy and Mineral Resources	5.2%	14.2%	35.0%
Ministry of Justice	14.4%	10.4%	5.1%
Administration for Presidential Affairs	21.8%	75.5%	18.3%
Ministry for Emergencies	9.1%	1.4%	4.3%
Ministry of Foreign Affairs	0.4%	2.5%	1.9%
High Court	12.2%	0.0%	9.3%
Agency for Information and Communications	8.4%	19.9%	7.1%
General Prosecutors office	11.3%	1.5%	0.4%
Ministry of Environmental Protection	4.4%	15.5%	4.0%
Other	17.9%	2.1%	1.4%
Total Primary Expenditure	9.5%	2.1%	6.0%
Composition Variance	10.0%	5.0%	8.2%
Variance in excess of total deviation (percentage points)	0.5	2.9	2.2

Notes: (1) Expenditures have been adjusted for oil revenue accounting inconsistencies (transfers) and debt servicing; (2) During the assessed period reorganisations of the ministries of Culture, Information, Tourism and Sport took place. To allow for proper comparison, the expenditures of these ministries have been combined.

Source: Own calculations based on spreadsheets obtained from the Ministry of Finance on 25 June 2006.

3.11 This indicator is calculated by subtracting from the expenditure variance the total expenditure deviation as calculated under PI-1. For 2005-2007 this would mean a variance in excess of the total deviation of respectively: 10.0%, 5.0% and 8.2%. This implies that the variance in expenditure composition has exceeded the overall deviation in recurrent expenditure by not more than 2.9 percentage-points per year in the period 2005-2007. This would mean an “A” score.

Table 3.7: PI-2 Composition of expenditure out-turn compared to original approved budget

PI-2 Composition of expenditure out-turn compared to original approved budget		
Score	Minimum requirements	Justification, comments and cardinal data
A	(i) Variance in expenditure composition exceeded overall deviation in primary expenditure by no more than 5 percentage points in any of the last three years	<i>Justification:</i> See above calculation based on Administrative budget classification <i>Source of information:</i> Ministry of Finance spreadsheets provided on 25 June 2008.

(iii) PI-3 Aggregate revenue out-turn compared to original budget

3.12 Fiscal revenue forecasting is carried out by the Ministry of Economy and Planning¹⁵. The scope of forecast is one (next year’s budget) to three years (medium-term fiscal policy). The revenues for the next financial year are to be approved by the Budget Commission. In the last three years actual domestic revenues were 13 to 53 % higher than estimated. These figures relate to both the Republican Budget and the National Fund. On the other hand, the National Fund has significant revenue income but since this income has a direct relationship with oil prices, these revenues are rather volatile. Therefore, the budgeted revenues have been adjusted for oil revenue accounting inconsistencies (see PI-1). The table below shows only the normalised revenues and the difference between actual and estimated revenues of the Republican budget.

Table 3.8: Budgeted revenues compared to actual revenues out-turn in the Republican Budget

Amounts in billion KZT	Revenues			Normalised Revenues		
	2005	2006	2007	2005	2006	2007
Budgeted domestic revenues	1,128.4	1,468.2	1,958.6	1,115.6	1,457.6	1,958.6
Actual domestic revenue out-turn	1,723.9	1,847.2	2,221.5	1,356.8	1,651.4	2,221.5
Actual domestic revenue out-turn as percentage of budgeted domestic revenues	152.8%	125.8%	113.4%	121.6%	113.3%	113.4%

¹⁵ In accordance with the Budget Code, article 72

3.13 This indicator receives an “A” score. In all the three years the actual domestic revenue out-turns appeared to be significantly higher than the budgeted domestic revenues. It is noted that revenues for the National Fund are not taken into account in this calculation.

Table 3.9: PI-3 Aggregate revenue out-turn compared to original approved budget

PI-3 Aggregate revenue out-turn compared to original approved budget		
Score	Minimum requirements	Justification, comments and cardinal data
A	(i) Actual domestic revenue collection was below 97% of budgeted domestic revenue estimates in no more than one of the last three years	<p><i>Justification:</i> In all years actual revenues are higher than budgeted revenues.</p> <p><i>Comment:</i> Only Republican budget is analysed.</p> <p><i>Source of information:</i> Own calculations based on Approved budgets 2005-2007, audited budget execution reports 2005-2006 and un-audited budget execution report 2007.</p>

(iv) PI-4 Stock and Monitoring of expenditure payment arrears

(a) Stock of expenditure payment arrears (as percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock

3.14 The Ministry of Finance does not have information on the age profile of accounts payable and as a result it is not possible to compile data on payments that have not been made within 30 days from government’s receipt of an invoice or from other obligatory payment’s date.

3.15 The following data on payables with respect to the Republican budget has been provided by the Treasury committee and the Department of Reporting and Statistics (DRS)¹⁶.

¹⁶ The data are not published and have been given as a reply on a special request during the PEFA assessment. The difference between the figures as of the end of 2006 is explained by the fact that the Treasury Committee provided the data of payables which emerged in 2006 only, whereas the Department of Reporting and Statistics gave the sum of payables which emerged in 2006 and of payables which emerged before 2006.

Table 3.10: Total sum of Payables

Total sum of Payables		
Amounts in million KZT	31.12.2006	31.12.2007
Total sum of payables (according to MF Treasury Committee)	9,107.4	8,910.9
Total sum of payables (according to MF Department of Reporting and Statistics)	9,357.4	8,910.9
Total sum of payables as percentage of total expenditures (according to MF Department of Reporting and Statistics)	0.64%	0.44%
Total sum of payables overdue as percentage of total sum of payables (MF Department of Reporting & Statistics)	92%	100%

Source: Data provided upon request of the PEFA team

3.16 The Department of Reporting and Statistics of the Ministry of Finance has also provided an alternative indicator in response to the PEFA team's request, i.e. the total sum of payables overdue. The Ministry of Finance defines the "Total sum of payables overdue" as "Total sum of payables less the sum of payables with payment dates that are not overdue yet". It appears that overdue payables amount to 92% and 100% of total payables at the end of 2006 and 2007 respectively.

3.17 It appears that the Ministry of Finance considers that all payables which have not been paid before the end of the fiscal year are overdue. Therefore, it does not take the proper definition of overdue payables, i.e. payments that have not been made within 30 days from government's receipt of an invoice or from other obligatory payment's date.

3.18 Since the total sum of payables at the end of 2006 and 2007 were 0.64% and 0.44% of total expenditures respectively, we *assume* that the total sum of payables *overdue* would be even lower in terms of total expenditure.

3.19 The team was not able to assess the extent to which received invoices remain unprocessed at the end of each year (and which are thus not included in the total sum of payables at the end of the year). Within the scope of this PEFA assessment the team interviewed one business association which did not comment on the payment behaviour of the Government.

(b) Availability of data for monitoring the stock of expenditure payment arrears

3.20 The Department of Reporting and Statistics generates relevant information on expenditure payment arrears within the information system of budget execution and in accordance with the "rules of compiling and presenting the reports on accounts payable of government institutions"¹⁷. According to the "Instruction on accounting in government institutions"¹⁸, the definition of accounts payable includes all kinds of payables such as arrears to suppliers and employees. The reports on accounts

¹⁷ Approved by the order of the MoF as of 24.12.2004 No 460, in force since 1.01.2005

¹⁸ Approved by the order of the Treasury Department of the MoF as of 27.01.1998 No 30

payables are submitted to the Treasury Committee by all 38 administrators at the national level. The Treasury Committee shares the information with the MF Department of Reporting and Statistics.

3.21 According to applicable regulations, data on accounts payable are regularly submitted by the line ministries and agencies to the Treasury Committee.

Table 3.11: Frequency of reporting on accounts payable to the Treasury Committee

Frequency	Date
Monthly	Before 15 of the month following the reporting month
As of July 1 and October 1	Corrected and submitted again before 10 August and 10 November correspondingly
As of January 1	Corrected and submitted again before 25 February

3.22 Consequently the Treasury Committee submits the processed data to the Department of Reporting and Statistics.

Table 3.12: Frequency of reporting on accounts payable to the Department of Reporting and Statistics

Frequency	Date
Monthly	Before 20 of the month following the reporting month
As of July 1 and October 1	Before 20 August and 20 November correspondingly
As of January 1	Before 1 March

3.23 In addition to the report on accounts payable with respect to the Republican budget, a similar report is generated with regard to so called non-budget activities.¹⁹ The combined report is submitted on a regular basis²⁰ to the Financial Control and State Procurement Committee and the Accounts Committee as well as to the Ministry of Economy and Budget Planning. The reports on accounts payable contain explanatory notes pointing out the reasons of accumulating the payables for each budget programme.

¹⁹ Some government institutions are allowed to provide paid services (e.g. schools can give non-obligatory lessons for payment collected from parents). The accounts payable related to such services are defined as “payables emerged as the result of other funds use” (above-indicated Rules of compiling and presenting the reports on accounts payable of government institutions, pp. 1-2). For example, with respect to above-mentioned schools’ practice such payables will emerge in case that the teachers that have already given the non-obligatory lessons did not receive their payments for these lessons yet.

²⁰ Monthly and as of July 1, October 1, January 1

Table 3.13: PI-4 Stock and monitoring of expenditure payment arrears

PI-4 Stock and monitoring of expenditure payment arrears		
Score	Minimum requirements	Justification, comments and cardinal data
A	(i) The stock of arrears is low (i.e. is below 2% of total expenditure).	<p><i>Justification:</i> Total accounts payable were about 0.5% of total expenditure in 2006 – 2007. In 2001 the modern Treasury integrated information system started to function; the system has a special module for registration of contracts concluded by the government institutions. This module was introduced especially to keep the accounts payable and receivable under strict control. Exact information on payables overdue appears not to be existing, at least not based on the proper definition of overdue payables. Nonetheless, based on the low % of total payables, we <i>assume</i> that the total amount of payables overdue is lower than the total amount of payables.</p> <p><i>Source of information:</i> “Rules of compiling and presenting the reports on accounts payable of statutory bodies”, “Presentation made by the Treasury Committee on 21.05.2008” and data presented on 21.05.2008 by the Department of Reporting and Statistics of the Ministry of Finance and by the Treasury Committee in response to the request of the PEFA team</p>
B	(ii) Data on the stock of arrears is generated annually, but may not be complete for a few identified expenditure categories or specified budget institutions ²¹ .	<p><i>Justification:</i> In 2007 the information on accounts payable was monthly generated in the electronic system and corrected regularly. It covered all government institutions with respect to both the Republican budget and of non-budget activities. Furthermore it included explanatory notes. Although there was no age profile of accounts payable as such, the MF keeps track of overdue payables. Data presented by the Treasury Committee and the Department of reporting and statistics of the MF were not fully consistent.</p> <p><i>Source of information:</i> See above.</p>

²¹ A score “A” is given if “Reliable and complete data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile)”.

C. Comprehensiveness and transparency

3.24 This set of indicators considers to what extent the budget and the fiscal risk oversight are comprehensive, as well as to what extent fiscal and budget information is accessible to the public. The table below summarises the assessment of indicators relating to the “comprehensiveness and transparency” dimension of PFM performance.

Table 3.14: Key cross-cutting issues: Comprehensiveness and transparency

B. Key cross-cutting issues: Comprehensiveness and transparency				
Indicator	Score	Dimensions	Scoring method	
PI-5	Classification of the budget	B	(i) B	M1
PI-6	Comprehensiveness of information included in budget documentation	C	(i) C	M1
PI-7	Extent of unreported government operations	A	(i) A (ii) A	M1
PI-8	Transparency of inter-governmental fiscal relations	B	(i) C (ii) C (iii) A	M2
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C	(i) C (ii) C	M1
PI-10	Public access to key fiscal information	C	(i) C	M1

(i) PI-5 Classification of the Budget

3.25 The Budget Code and the “Regulation on the unified budget classification” stipulate the functional and economic classification of the budget. According to this regulation, the functional classification comprises the following levels:

- functional group
- functional subgroup
- administrator of budget programme
- programme
- sub-programme

3.26 In practice the formulation and execution of the Republican budget are based on three types of classification: (i) functional group and functional sub-group, (ii) administrative and (iii) program. There are some deviations from the COFOG functional classification. Altogether 15 main functions are presented in the budget in 2006 and 13 in 2007, instead of 10 according to the COFOG classification.

3.27 The program classification is the fourth level of the functional classification. Programs may comprise current expenditure programs and investment programs, but the practice focusses on investment programs.

3.28 Seven main functions at the highest level are the same as COFOG, however the COFOG functions Environmental protection and Economic affairs are missing at this highest level. Instead, the function Economic affairs is represented by four separate functional groups, i.e. (i) Fuel, energy and mining operations, (ii) Agriculture, water management, fishery, environment protection, land, (iii) Industry and construction, (iv) Transport and communication. There are also the functional groups “Miscellaneous”, “Public debt service” (2006) and “Transfers” (2006) which are not mentioned at the highest level in COFOG.

3.29 The sub-functional classification consists of 66 governmental sub-functions. There are also deviations from COFOG. For instance, the functional group “Housing and community amenities” does not have “Water supply” as a separate sub-function. In fact, this “Water supply” sub-function is included in the “Community development” sub-function. “Environment protection” is a sub-function under the functional group “Agriculture, water management, fishery, environment protection, land”. The following sub-functions are lacking: Waste management, Waste water management, Pollution abatement, Protection of biodiversity and landscape, R&D environmental protection.

3.30 Programme classification is represented by 137 investment programmes and 26 programmes of investment into charter capital of legal entities. The economic classification is presented in budget execution reports reported in the Statistical bulletin of the Ministry of Finance. There are deviations from the GFS Manual-2001.

3.31 The budget classification is not embedded yet in the chart of accounts and the Ministry of Finance has to further process the output of the accounting system in order to prepare budget execution reports that have the same structure as the budget. National accounting and reporting standards for the public sector are in the process of modernisation. The future reform of accounting and reporting in the public sector includes the transition to unified budget accounting and reporting in accordance with international standards, further amendments of the budget classification and integration of the budget classification with the chart of accounts.

Table 3.15: PI-5 Classification of the budget

PI-5 Classification of the budget		
Score	Minimum requirements	Justification, comments and cardinal data
B	(i) The budget formulation and execution is based on administrative, economic and functional classification (using at least the 10 main COFOG functions), using	<i>Justification:</i> Budget formulation and execution is based on administrative and functional classification using 10 main COFOG functions, though one function

PI-5 Classification of the budget		
Score	Minimum requirements	Justification, comments and cardinal data
	GFS/COFOG standards or a standard that can produce consistent documentation according to those standards.	(environment protection) is presented at sub-functional level. Programme classification is also presented. Economic classification is used in the budget execution reports. Budget classification is not embedded into the chart of accounts. <i>Source of information:</i> Budget Code, Resolution on the unified budget classification and the 2006 and 2007 Republican Budgets.

(ii) PI-6 Comprehensiveness of information included in the budget documentation.

3.32 The Parliament received the draft law on the Republican budget for 2008 on 29 August 2007, in accordance with the Budget Code²² which stipulates that the draft law on the Republican budget is to be submitted by the Government to the Parliament not later than 1 September of the year preceding the planned one. Simultaneously with the draft law the following documents and materials are submitted:

- medium-term plan for social and economic development;
- medium-term fiscal policy for the next 3-year period;
- consolidated budget;
- draft passports of Republican budget programmes;
- justifications and revenue forecasts of the Republican budget;
- information on state and guaranteed state debt as of last reporting date;
- explanatory note about the decisions and assumptions made for the Republican budget.

3.33 In accordance with the PEFA methodology, the team has assessed whether the information listed in the table below has been part of the 2008 budget documentation or has been made available separately.

Table 3.16: Comprehensiveness of information included in the 2008 Republican budget documentation

Element	Presence
1 Macroeconomic assumptions, incl. estimates of aggregate growth, inflation, exchange rate	Yes
2 Fiscal deficit, defined according to GFS or other internationally recognised standards	Yes
3 Deficit financing	No
4 Debt stock with details for the beginning of the current year	Yes
5 Financial assets with details for the beginning of the current year	No
6 Prior year's budget outturn	Yes
7 Current year's budget	No
8 Summarised budgeted data for both revenue and expenditure for the current and previous years	No
9 Explanation of budget implications of new policy initiatives	No

3.34 Macroeconomic assumptions such as GDP, inflation and exchange rate (element 1) are indicated in the Medium Term Fiscal Policy for 2008-2010 and the speech on the draft Republican budget law for 2008 made by the Minister of MEBP in the Mazhilis²³. The fiscal deficit and deficit financing (element 2 and 3) are presented in the MTFP and Explanatory note to the Draft Republican

²² Budget Code Article 79.

²³ Speech of 17.09.2007, see <http://builder.kz/stats/detail.php?ID=6943>

Budget; however the composition of deficit financing via government borrowings is not presented. The Statistical Bulletin²⁴ provides insight in the details of the debt stock (element 4). The (monthly) Statistical Bulletins are published on a regular basis and at the time of budget submission, the legislature has received information on last year's debt stock. Execution of the Republican Budget for 2006 (element 6), is presented in the Government's report submitted to the Parliament on 25 April 2007, however, summarised data on revenues and expenditures for 2007 are not presented (element 8).

3.35 Explanation of budget implications of new policy initiatives (element 9) are only given to a limited extent. The Explanatory note to the draft 2008 Republican Budget points out the expected changes in revenues and expenditures as compared to the relevant estimates made last year (2006) and as the result of the measures that have already been taken in the current year (2007). The MTFP 2008 – 2010 explains the planned measures with respect to revenues and expenditures, but does not indicate any estimates of their financial implications on the budget. The President's Message for 2008 "New Kazakhstan in new world" contains information on the implications of new initiatives in social sphere expenditures²⁵ but does not estimate other new expenditures²⁶ announced by the President and any budget implications of new initiatives with regard to revenues.

3.36 Monthly reports on the performance of the National Fund are published by the Ministry of Finance on its website. The Government and the National Bank compose and publish annual reports on formation and usage of the National Fund which include the National Bank's report on trust management and the audit report prepared by external auditors.

Table 3.17: PI-6 Comprehensiveness of information included in budget documentation

PI-6 Comprehensiveness of information included in budget documentation		
Score	Minimum requirements	Justification, comments and cardinal data
C	(i) Recent budget documentation fulfils 3-4 of the 9 information benchmarks.	<i>Justification:</i> 4 of 9 information benchmarks were included in budget documentation submitted to the Parliament in 2007. <i>Sources of information:</i> The package of draft budget law for 2008 and the budget execution report for 2006 submitted to the Parliament in 2007 (presented by the Parliament's Senate representative on 20–21 May 2008 in response to the PEFA assessment request); Statistical bulletins of the MF, speech on the presentation of the draft Republican budget law for 2008 made by the Minister of Economy and Budget Planning on 17 September 2007 in Parliament and the annual President's message presented on 28 February 2007 in Parliament.

²⁴ Statistical Bulletin of the Ministry of finance, 2007, No 1, p. 69 (<http://www.minfin.kz/structure/data/Yanvar231007.pdf>)

²⁵ 108 billion KZT in 2008

²⁶ e.g. on the construction of 100 additional schools and 100 additional hospitals in 2008 – 2010

(iii) PI-7 Extent of unreported government operations

(a) *The level of extra-budgetary expenditure (other than donor funded projects) which is unreported, i.e. not included in fiscal reports*

3.37 The Republican budget and the National Fund encompass the major part of government operations at the central level. Another part of activities is performed through state-owned enterprises and parastatals. Most of them are public business corporations, but two companies perform a role similar to extra-budgetary funds in other countries. These are the State Social Insurance Fund²⁷ (SSIF) and the State Accumulative Pension Fund (SAPF)²⁸. Both funds have been established as national joint-stock companies. The SAPF cannot be unequivocally attributed to the government sector, as it is not financed by compulsory transfers from units in other sectors (as defined by GFS). Although the pension contributions are compulsory, the citizens can choose to pay them to other (private or corporate) pension funds. Nevertheless for the purposes of this report the SAPF is tentatively considered to be an extra-budgetary institution in the government sector, because of its size and the high level of government control over its activities.

3.38 The table below summarises information on revenues and expenditures of the two funds in 2006-2007 in comparison with actual primary expenditure out-turns (PI-1) and actual domestic revenue out-turns (PI-3). The level of conditional extra-budgetary activities amounted to less than 1% of actual primary expenditure out-turn in 2007.

Table 3.18: Revenues and Expenditures of the Social Insurance Fund and the Accumulative Pension Fund

Revenues and Expenditures of the Social Insurance Fund and the Accumulative Pension Fund				
Amounts in billion KZT	Revenues		Expenditures	
	2006	2007	2006	2007
State Social Insurance Fund	26.1	52.7	0.4	0.9
State Accumulated Pension Fund SAPF	37.5	38.0	2.5	15.6
Total of unreported extra-budgetary activity	63.6	90.7	2.9	16.5
Unreported extra-budgetary activity as percentage of actual revenue / expenditure	3.9%	4.1%	0.2%	0.8%

Sources: Annual report 2007 of the State Social Insurance Fund (www.gfss.kz); Press-releases of the State Accumulative Pension Fund GNPF on results of activities in 2006 and 2007 (www.gnpf.kz).

3.39 In total, there are 187 Republican state enterprises (RSE) in Kazakhstan. These enterprises render different unpaid or partially paid social services to the population such as education and healthcare. RSEs can also provide additional *paid services*. Revenues and expenditures related to

²⁷ The SSIF was established through government decree №237 of 27.02.2004 and became in force from July 2005.

²⁸ The SAPF was established by the Government in September 1997. Since May 2008, the shareholders of this fund are the Government of RK (32.40%), the National Bank of RK (57.61%) and the European Bank for Reconstruction and Development (EBRD) (9.99%).

these additional services are not included in the budget reports²⁹. The additional revenues from paid services are not monitored by the responsible line ministries, however the volume of these services in 2007 was very modest taking into account that total revenues of state-owned enterprises (including revenues from state procurements) amounted to KZT 5.5 billion or 0.3% of Republican budget expenditures. For the purposes of this report this extra budgetary activity is not further assessed.

(b) Income/expenditure information on donor-funded projects which is included in fiscal reports

3.40 Kazakhstan receives development aid from various countries, their agencies and international organisations, including the IBRD, EBRD, Islamic Development Bank, Japan Bank for International Cooperation and Kuwait Fund for Arabic Economic Development. The assistance consists of loans and grants aimed to fund investment projects. Based on the terms of provision the sovereign grants are divided into tied and untied grants. Tied grants are given under the condition of either (i) subsequent borrowing by the Government of the Republic of Kazakhstan from the donor providing the grant or (ii) co-financing from the Republican budget within the framework of the relevant budget programme designed to implement the tied grant. Untied grants are not limited by special terms and usually finance inputs provided in kind. The table below summarises the development aid disbursed to Kazakhstan in the period from 2005 to 2008.

Table 3.19: Development aid disbursed to Kazakhstan

Development Aid disbursed in Kazakhstan				
Amounts in billion KZT	2005	2006	2007	2008 plan
Loans	16.94	13.93	11.76	13.77
Tied grants	0.82	1.52	1.17	1.19
Untied grants	0.02	4.4	5.2	-
Untied grants as percentage of actual expenditure out-turn	0.0%	0.3%	0.3%	-

Source: Data of the Ministry of Economy and Budget Planning of the Republic of Kazakhstan

²⁹ See “Rules of preparation and submission of reports by state institutions”, approved by the Order of the Minister of Finance of the RK of December 1, 2004, № 424

3.41 The Republican budget and budget execution reports present all loans and tied grants. Untied grants are not listed in the budget reports, but budget enterprises are required to report on received grants. The procedures of reporting are set out in the Resolution of GRK “On rules of contracting, disbursement, monitoring and evaluation of the efficiency of disbursement of untied grants”. According to this Resolution the Government annually adopts the list of investment projects financed by untied grants. The disbursement of untied grants is reported by budget enterprises related to line ministries only. According to the information provided by the MEBP³⁰ the volume of untied grants in 2007 was 5.2 billion KZT, or 0.3% of expenditures of the Republican budget.

Table 3.20: PI-7 Extent of unreported government operations

PI-7 Extent of unreported government operations		
Score	Minimum requirements	Justifications, comments and cardinal data
A	(i) The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (below 1% of total expenditure).	<i>Justification:</i> The total level of unreported extra-budgetary expenditures of the two extra-budgetary funds in 2007 was less than 1% (see calculation above).
A	(ii) Complete income/expenditure information for 90% (value) of donor-funded projects is included in fiscal reports, except inputs provided in-kind or donor funded project expenditure is insignificant (below 1% of total expenditure).	<i>Justification:</i> The Republican budget and budget execution reports present loans and tied grants. Untied grants are not reported. However, the volume of untied grants in 2007 was about 0.3% of expenditures of the Republican budget. <i>Source of information:</i> Data of the MEBP

(iv) PI-8 Transparency of Intergovernmental Fiscal Relations

(a) Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from central government

3.42 Intergovernmental fiscal relations are regulated in relevant legal acts, including the “Budget Code³¹”, and the “Law about the size of official transfers of general character between Republican and oblast budgets, budgets of cities at Republican level, or capital for 2005-2007”. The Budget Code determines different types of intergovernmental transfers. There are two major types of intergovernmental transfers from the Republican budget to sub-national budgets: (i) general transfers and (ii) earmarked transfers (current and capital). Disbursements of republican transfers to regions take place on a monthly basis. The central government applies also negative transfers to ‘rich’ regions to withdraw funds for the purpose of equalising fiscal capacity.

³⁰ Also published on the website of the MEBP

Table 3.21: Transfers from the Republican Budget to sub-national governments

Transfers from the Republican Budget to sub-national governments						
Amounts in billion KZT	2005		2006		2007	
Total Transfers (1)	278.1	100.0%	413.5	100.0%	699.7	100.0%
General transfers (2)	133.0	47.8%	153.1	37.0%	192.8	27.6%
Earmarked transfers (current and capital) (3=1-2)	145.1	52.2%	260.4	63.0%	506.9	72.4%
Republican transfers to the region as percentage of GDP	3.7%		4.0%		5.5%	

Source: Statistical Bulletin, February 2008

3.43 General transfers are used for horizontal equalisation. They aim (i) to equalise the level of fiscal capacity of sub-national budgets and (ii) to provide standard public services. Since 2005 general transfers were determined for a three-year period by clear criteria approved by the government. In 2007 the criteria for distribution of general transfers were improved. They are based on tax revenues and a number of factors determining interregional differences in regional expenditures (e.g., age distribution, population density, urbanisation level and duration of the winter/heating season).

3.44 The share of general transfers in the total amount of transfers decreased from 48% in 2005 to less than 28% in 2007. Accordingly the share of earmarked transfers increased from 52% to 72%. In some regions the amounts of earmarked transfers were equal to or exceeded the amount of tax revenues.

3.45 Earmarked current transfers are provided only for implementation of national, sectoral and regional programmes and for arrangements funded from the reserve of the government or local executive bodies. Capital transfers are earmarked for investment projects/ programmes managed by local executive bodies. The legislation does not contain clear criteria which determine the distribution of earmarked transfers. Local executive bodies must receive approval from Republican ministries to obtain the earmarked transfers for their current and investment programmes. Since only a minor part of transfers (about 28% in 2007) from the central government is determined by a transparent and rules based system, a “C” score is assigned for the first dimension of this performance indicator.

(b) Timeliness of reliable information to SN governments on their allocations from central government for the coming year.

³¹ Chapter 6 “Intergovernmental Fiscal Relations”

3.46 The “Law about the size of official transfers of general character between Republican and oblast budgets, budgets of cities at Republican level, or capital for 2005-2007” determines the amounts of withdrawals and general transfers for each of the three years. During the budget processes 2005-2007 the amounts of withdrawals and general transfers remained unchanged. Sub-national governments were provided with reliable information on general transfers and withdrawals for their budget planning in advance. Sub-national governments received all additional tax revenues which exceeded the approved budgeted amounts. As a result, sub-national governments were motivated to enhance tax collection capacity.

3.47 Reliable information on earmarked transfers in 2005-2007 was issued to local authorities only after approval of the Republican budget by the Parliament in December of each year (just before the beginning of the new fiscal year). Local authorities had thus to finalise their budgets without having reliable information on earmarked transfers and had to adjust their approved budgets at the beginning of the new fiscal year.

(c) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories.

3.48 The sub-national executive authorities submitted local budget plans for 2007 and 2008 to the MEBP and the MF during December – January depending on the time when the lower local authorities approved their budgets. The information was presented by sector, consistent with central government fiscal reporting. The approved Republican budget and approved consolidated regional budgets of all sub-national authorities were consolidated into the planned state budget in February of the fiscal years concerned, i.e. 2007 and 2008.

3.49 The MF collected and reported consolidated information on the execution of the state budget (including all local budgets) on a monthly basis according to Article 123 of the Budget Code. The MF presented the executed state budget for 2007 on the website in January 2008.

3.50 The legislative bodies at sub-national level receive annual reports on the execution of the local budgets not later than 1 May or 1 April of the current year depending on budget level. They are consolidated with the Republican budget in early summer, i.e. within 10 months after the end of the previous fiscal year. Due to that an “A” score is indicated for the third dimension of this performance indicator.

Table 3.22: PI-8 Transparency of Intergovernmental Fiscal Relations

PI-8 Transparency of Intergovernmental Fiscal Relations		
Score	Minimum requirements	Justifications, comments and cardinal data
C	(i) The horizontal allocation of only a small part of transfers from central government (10-50%) is determined by transparent and rules based systems.	<i>Justification:</i> The “Methodology for calculation of general transfers” determined the formulas and rules of calculation of general transfers. But the share of this type of transfers was less than 28% of total amount of transfers from the central budget in 2007. The earmarked transfers which comprised about 72% of the total amount of transfers were not determined by transparent and rules based system. <i>Source of information:</i> Statistical Bulletin of February 2008.
C	(ii) Reliable information to SN governments is issued before the start of the SN fiscal year, but too late for significant budget changes to be made.	<i>Justification:</i> In 2005-2007 SN governments received reliable information on earmarked transfers that formed most part of their revenues in December, just before the start of the fiscal year. Therefore they had to adjust SN budgets in the beginning of the next fiscal year. <i>Source of information:</i> Interviews with officials at the MEBP and Akimat Karaganda.
A	(iii) Fiscal information (ex-ante and ex-post) that is consistent with central government fiscal reporting is collected for 90% (by value) of SN government expenditure and consolidated into annual reports within 10 months of the end of the fiscal year.	<i>Justification:</i> Fiscal information (ex-ante and ex-post) of regional budgets is in fully consistent with central government fiscal reporting. The state budget reports of the Treasury Committee include all regional budgets. Consolidated information on executed state budget for fiscal year 2007 was available in January 2008.

(v) P1–9 Oversight of aggregate fiscal risk from other public sector entities

(a) Extent of central government monitoring of autonomous government agencies and public enterprises

3.51 According to information provided by the Information and Registration Centre of the MF, the entities shown in the table below were considered Republican property at the end of 2007.

Table 3.23: Financial Results of Republican Public Enterprises in 2007

	Number of entities	Revenues billion KZT	Capital billion KZT	Loss-making	Profitable	Zero results
Republican Public Enterprises, total	462	1911.6	4,502.8	24.8%	60.1%	14.9%
<i>Including:</i>						
1) Republican state enterprises (RSE)³²	314	17.9	743.7	23.0%	61.4%	15.6%
- RSEs entitled for the operation of management	187	5.5	-	23.5%	55.6%	20.8%
- RSEs entitled for the conduct of business	127	12.4	743.7	22.8%	69.2%	7.8%
2) Joint-stock company, national holdings and limited liability partnerships	148	1,893.6	3,759.1	28.3%	58.1%	13.5%
- national holdings - Samruk, Kazyna, KazAgro, Samgau	4	1,057.3	2,673.6	-	-	-

Source: Information from the MEBP

3.52 The table shows that in 2007 60% of the total number of Republican Public Enterprises were profitable and about 40% were loss making or operated break-even. The national holdings – Samruk, Kazyna, KazAgro and Samgau – generated a major part of total revenues (56%) and comprised a large share (71%) of the total capital of joint-stock companies, national holdings and limited liability partnerships with state (Republican) participation. Large joint stock companies with state participation operate in different fields.³³

3.53 In 2007 the larger Republican Public Enterprises applied the International Financial Reporting Standards (IFRS), but did neither publish nor present in full their annual statements on the websites. Small and medium-sized enterprises compiled their financial reports in accordance with the

³² There are two main legal forms of state enterprises: state enterprises entitled for the operational management and state enterprises entitled for the conduct of business. State enterprises of the first form have limited authorities - cannot sell or lease property without approval of correspondent ministry, cannot take decisions on the quantity of employees and their salaries. They are financed from the budget. In many relations their positions are similar to budget institutions. State enterprises of the second form function as commercial enterprises.

³³ Oil and gas, electricity network, post services, food contracts, nuclear power, information technologies, railways, pension fund, telecommunications, airport services, information agency, and engineering

accounting standards of Kazakhstan. All enterprises submit their regular³⁴ financial reports to the Committee of State Property and Privatization (CSPP), which is subordinated to the MF. The financial reports are also submitted to its founders, i.e. line ministries.

3.54 The CSPP conducts quarterly monitoring of revenues received by the Republican budget from Republican state entities and monitors also the management of Republican assets. The Committee controls the privatisation process and monitors the fulfilment of investment obligations after the privatisation. The Committee presents monitoring reports on its website³⁵. The MEBP also conducts some *irregular* monitoring of the economic and financial results of RSEs.

3.55 As of 2007 there were no consolidated financial statements of the Republican Public Enterprises prepared by the government. There are government plans to establish an electronic depository of financial reports for major state companies with open access to the public.

3.56 During the period of this assessment, the Republican Public Enterprises were not allowed to obtain budget loans. However, the Republican Public Enterprises – except enterprises established for operational management purposes- had access to commercial bank loans. These bank loans are not controlled by the Government.

3.57 The National Fund is not considered an autonomous government agency. The trust management of the fund is carried out by the National Bank, but all relevant expenditures are channelled through the Republican Budget. The concept of the National Fund is explained in paragraph 2.B.ii.

(b) Extent of central government monitoring of SN governments' fiscal position.

³⁴ Reporting three times per year with results to date per ultimo Q2, Q3 and Q4.

³⁵ See www.minfin.kz/index.php?uin=1120645839&lang=rus

3.58 Transfers to sub-national governments are strictly controlled through monthly cash limits and cannot be exceeded without prior government approval and changing the Law on general transfers. The MF collects and reports data on local budget execution on a monthly basis³⁶. The Budget Code³⁷ contains strict limitations and rules on local government debt and borrowing. Local government obligations for debt servicing are to be secured by the local budgets. The government of Kazakhstan does not have responsibility for local budgets' obligations and cannot provide guarantees on loans of local executive bodies. Local executive bodies may borrow from the government only for the purpose of financing of a budget deficit which may arise from shortage of funds for implementing investment projects. In 2007 the cities Astana and Almaty were also allowed to issue bonds at the domestic market for that purpose.³⁸

3.59 The government of Kazakhstan determines debt limitations for local executive bodies. According to the Budget Code, debt repayment and service costs cannot exceed 10% of the local budget revenue collected in the corresponding financial year. The procedures for local debt repayment and servicing are established by the government of Kazakhstan.

3.60 It is envisaged that state debt include local debt. The Budget Code requires information on state debt published in the form of quarterly statistical bulletins issued by the MF. According to the "Rules on Execution of the Republican and Local Budgets" local governments are required to submit quarterly reports on repayment and service of loans to the MF. Furthermore, each local government should provide details of its total volume of accounts payable at the end of each month.

3.61 In practice, the local budgets are executed in an environment of soft fiscal constraints. The table below summarises information on local government debt and current and overdue accounts payable for 2005-2007.

Table 3.24: Local government debts and current and overdue accounts payable

Amounts in billion KZT per 1 January	2005	2006	2007	2008 ^[1]
1.Total local governments' debt, including	33.2	82.8	82.4	68.9
• <i>debt to the GRK</i>	22.8	74.3	75.9	66.4
• <i>debt to other creditors</i>	10.4	8.5	6.4	2.5
2. Total local governments' current and overdue accounts payable	2.3	2.1	0.6	5.6
Note: [1] 1 st of October				

Source: MF Statistical Bulletin No.1(97), January 2007; No 9 (117), September 2008

For the period 2005-2007 the local debt connected with borrowings from the Republican budget decreased insignificantly - from KZT 74.3 billion in 2006 to KZT 66.4 billion in 2008. The local governments' debt decreased from 10,6% of local government spending to 4,8% in 2008.

³⁶ The 1st day of the month following the reporting month, as part of consolidated information on the execution of the state budget

³⁷ Article 195, 197, 203, 204, 206, 220 of the Budget Code

³⁸ In accordance with Budget Code article 220

There is still a problem of unsettled debts of local governments of past years which are related to arrears on budget loans. In addition, the total volume of local government's unpaid commitments grew from KZT 2.1 billion in 2006 to KZT 5.6 billion in 2007, also indicating low fiscal discipline.

3.62 The Accounts Committee report on execution of the 2006 Republican budget raised concerns about the deficiency of monitoring of local budget execution by the GRK. In 2007 there was no consolidated overall fiscal risk report on local government's activities.

Table 3.25: PI-9 Oversight of aggregate fiscal risk from other public sector entities

PI-9 Oversight of aggregate fiscal risk from other public sector entities		
Score	Minimum requirements	Justification, comments and cardinal data
C	(i) Most major autonomous government agencies and public enterprises (AGAs/PEs) submit fiscal reports to central governments at least annually, but a consolidated overview is missing or significantly incomplete.	<i>Justification:</i> The Committee of State Property and Privatization (CSPP) subordinated to the MF monitors quarterly various aspects of the activities of Republican Public Enterprises, including large national holdings and national companies. Their financial positions are not routinely monitored and key stakeholders, including the MF, the MEBP and Parliament do not have a full consolidated picture. <i>Comment:</i> As of beginning 2008 the public interest entities are required to publish annual financial statements, however the need for the generation of consolidated reporting on the aggregate fiscal risk is not (yet) stipulated in the applicable regulations.
C	(ii) The net fiscal position is monitored at least annually for the most important level of SN government, but a consolidated overview is missing or significantly incomplete.	<i>Justification:</i> Despite strict regulation of local governments' debts and borrowing, sub-national governments are still functioning in a soft fiscal limitations environment. The system of monitoring is underdeveloped and regular consolidated overall fiscal risk reporting is lacking.

(vi) PI-10 Public Access to key fiscal information

3.63 The table below provides an overview of the extent to which key public fiscal information is publicly available.

Table 3.26: Public access to key fiscal information

Element	Presence
1 Annual budget documentation	No
2 In-year budget execution reports	Yes
3 Year-end financial statements	No
4 External audit reports	Yes
5 Award of all contracts with value above approx. USD 100,000 equivalent	No

Element	Presence
6 Information on resources available to primary service units	No

3.64 Annual budget documentation (element 1) that is submitted to Parliament by the Governments is not published.³⁹ In-year budget execution reports (element 2) are published by the MF in monthly statistical bulletins⁴⁰ usually within one month. In-year budget execution reports are presented at both highly aggregated and detailed level. The year-end financial statements (element 3) with respect to Republican budget were not compiled but are planned to be introduced within the future reform of accounting and reporting in the public sector. The Statistical Bulletin includes the budget execution report to-date and thus includes also the annual budget execution report (before external audit). In addition, the external audit report (element 4) report is published⁴¹. It has an understandable language and structure.

3.65 There was no public access to the list of awarded public contracts in 2007 (element 5), but this access is provided by the CFCP with effect from 2008⁴². However, in May 2008 not all central government bodies have submitted the full information required to be included in the list of contracts. With regard to information on resources available to primary service units (element 6), it appeared that the data on schools' and polyclinics' financing could not be extracted from the total data on education and health care published in the report on the Republican budget execution and is not published in detail. However disaggregated information is accessible to the relevant ministries, agencies and departments in the Treasury Committee's information system.

Table 3.27: PI-10 Public access to key fiscal information

PI-10 Public access to key fiscal information		
Score	Minimum requirements	Justification, comments and cardinal data
C	(i) The government makes available to the public 1-2 of the 6 listed types of information	<i>Justification:</i> 2 of 6 benchmarks were fulfilled in 2007. <i>Source of information:</i> Websites of the MF, CFCP and AC

³⁹ There is an official gazette which publishes the law on next year's budget after Parliament's approval, i.e. not the budget documentation when it is submitted to the legislature.

⁴⁰ See www.minfin.kz/index.php?uin=1173953405&lang.

⁴¹ The audit report on Republican Budget 2006 execution was placed on the website of Accounts Committee and published in two official newspapers at the end of June 2007, i.e. around 1 month after the audit report's completion at the end of May 2007; see also www.esep.kz/rus/content/view/full/1987.

⁴² See www.goszakup.kz, in accordance with the "rules of completion and keeping the registers in the sphere of government procurement".

D. Policy-based budgeting

3.66 This set of indicators assesses to what extent the budget is prepared with due regard to government policy. The table below summarises the assessment of indicators relating to the “policy-based” budgeting dimension of PFM performance.

Table 3.28: C(i) Policy-Based budgeting

C(i) Policy-Based budgeting				
Performance Indicator		Score	Dimensions	Scoring method
PI-11	Orderliness and participation in the annual budget process	A	(i) B (ii) A (iii) A	M2
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C	(i) C (ii) A (iii) D (iv) D	M2

(i) PI-11 Orderliness and participation in the annual budget process

(a) Existence of and adherence to a fixed budget calendar

3.67 The fiscal year runs from 1 January to 31 December. The process of budget preparation and approval and the budget calendar is formalised in the budget legislation.

3.68 The Budget Code states three main deadlines for the budget preparation process:

- submission of the draft budget to the Republican Budget Commission (1 August);
- submission of the draft budget to the Government (15 August);
- submission of the draft budget to the Parliament (1 September).
- This must ensure that the Republican budget is approved before the start of the new fiscal year.

3.69 The “Decree on Rules of Preparation of the Draft Republican Budget and Emergency State Budget” stipulates main procedures and basic dates for:

- estimation of revenue projections;
- determination of expenditure limits and the list of priority budget programmes;
- preparation, consideration and approval of budget requests of line ministries and agencies;
- preparation of the draft law on the Republican budget for the next fiscal year;
- preparation of the Emergency State Budget⁴³.

⁴³ The state emergency budget shall be in effect within the period of emergency and wartime proclaimed by a Decree of the President of the Republic of Kazakhstan about introduction in all the territory of Kazakhstan of an emergency state or wartime. A state emergency budget shall be formed on the base of the republican and local budgets. The republican budget law and decisions of maslikhats at all levels of the

3.70 Based on the above mentioned decree, the MEBP prepares on an annual basis an Order which approves a detailed action plan for budget preparation, i.e. a detailed budget calendar. According to the action plan of 2007, MEBP informed the budgetary units about their expenditure ceilings for the current programmes before 10 May, and the list of investment projects before 23 May. Budgetary units had to submit their budget requests to the MEBP not later than 1 June, which means that they had approximately three weeks to prepare the budget requests with regard to the current expenditure programmes and only one week with regard to investment projects. Line ministries experience this timeframe to fine-tune their budget proposals as limited, although it did not impact the quality of the budget submissions. As in the previous four years the budget calendar was generally adhered to.

(b) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions

3.71 In general the “Rules for the preparation and submission of budget requests by administrators of budget programs” are comprehensive and clear. The Republican Budget Commission (RBC) is involved in the budget formulation process from its early stage. It considers and approves the expenditure ceilings for the current programmes and the overall budget for capital expenditures before it is sent by the MEBP to the budgetary units in May of each year. There is an active participation of political leadership in the annual budget formulation process. The schedule of the RBC meetings is approved annually by means of an Order of the MEBP in January.

3.72 The RBC makes decisions on amendments to the draft budget with regard to projected revenues and on the main directions of expenditures ensuring that these are in compliance with the priorities of strategic social and economic development of Kazakhstan. The Commission has the authority to:

- consider budget revenues projections;
- approve expenditure limits for current budget programmes and their allocation to line ministries and agencies;
- approve the overall budget for investment programmes;
- approve a list of budget programmes;
- consider a list of budget investment projects, define the funding sources and mechanisms;
- appoint line ministries and agencies responsible for investment projects.

(c) Timely budget approval by the legislature or similarly mandated body

3.73 In the last three years the budget was approved before the start of the relevant fiscal year. In 2005 the budget was approved on 22 November; in 2006 on 8 December; and in 2007 on 6 December.

local budget for the corresponding financial year shall be suspended for the time of effect of the state emergency budget

Table 3.29: PI-11 Orderliness and participation in the annual budget process

PI-11 Orderliness and participation in the annual budget process		
Score	Minimum requirements	Justifications, comments and cardinal data
B	(i) A clear annual budget calendar exists, but some delays are often experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular) so that most of them are able to meaningfully complete their detailed estimates on time.	<i>Justification:</i> A detailed budget calendar has been used since 2004. In 2007 as in previous years MDAs generally adhered to the budget calendar, but have limited time for fine-tuning final budget proposals due to late availability of budget ceilings. Although MDAs had only three weeks instead of the required four weeks, we give this indicator a “B” score as they still were able to complete their submissions in time and it did not impact the quality of the budget submissions.
A	(ii) A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular’s distribution to MDAs.	<i>Justification:</i> The functions of budget circular are fulfilled by two documents: the Rules on preparation and submission of budget requests and the Letter of the MEBP to MDAs with expenditure ceilings approved by the Republican Budget Commission.
A	(iii) The legislature has, during the last three years, approved the budget before the start of the fiscal year.	<i>Justification:</i> During 2005-2007 the Republican budget was approved on 22 November, 8 December and 6 December respectively.

(ii) PI-12 Multi-Year perspective in fiscal planning, expenditure policy and budgeting

(a) Preparation of multi-year fiscal forecasts and functional allocations

3.74 Kazakhstan has introduced multi-year fiscal forecasts. The Medium Term Fiscal Policy (MTFP) for 2008-2010 was prepared on the basis of the Draft Medium Term Programme of Socio-Economic Development (MPSED) for 2008-2010. The MTFP is used in the process of budget preparation and is prepared for the State budget. The State budget includes the Republican budget and the consolidated sub-national budgets but excludes the National Fund. A separate multi-year forecast for the Republican budget is not considered and is not used for determining annual budget ceilings and thus there is no link between the MTFP and the annual budgets. Therefore the score for the first dimension is not higher than “C”.

(b) Scope and frequency of debt sustainability analysis

3.75 The MTFP provides a detailed description of public debt broken down into external and internal components. The data on debt dynamics is tracked and provided by the MF. In 2006 and 2007

the National Bank in cooperation with the Agency on Supervision of Financial Markets and Financial Organisations prepared two reports on financial sustainability of Kazakhstan. These reports focused on the debt burden of the private sector. A comprehensive Debt Sustainability Assessment (DSA) is currently being implemented by the National Bank based on the IMF Article IV consultation. It will include the estimation of risks associated with the government debt and the government guarantees based on international methods and benchmarking. Before that DSAs were prepared by the IMF in the context of the annual Article IV consultation and were published on the website of the IMF.

(c) Existence of sector strategies with multi-year costing of recurrent and investment expenditure

3.76 Sector strategy documents exist for many sectors. However, there is no example of a link between the financial estimates in such strategies and the multi-year fiscal projections. Financial information is typically presented in one or two sentences describing the total costs of implementing a strategy in the next few years. The Government approved the concept of introduction of results-oriented budgeting. It foresees, among other things, the integration of three-year budget projections and the main activities for achievement of strategic goals of each line ministry or agency in a single document, i.e. a strategic plan. Elaboration of these strategic plans has started in 2008.

(d) Linkages between investment budgets and forward expenditure estimates

3.77 In 2007, recurrent expenditures and investment expenditures were planned separately in different units of the MEBP. The planning of recurrent expenditures was the primary responsibility of departments interacting with line ministries (so-called line departments). Preparation of investment proposals was concentrated in the Department of Investment Policy.

3.78 In 2008 half of the staff of this unit was moved to line ministries to facilitate closer linkages in the preparation of recurrent and investment budgets. The Department of Investment Policy will remain responsible for general coordination and regulation. Although the reform plans are ambitious, so far recurrent cost implications were not included in forward budgets. Line ministries (budget programmes' administrators) included future recurrent cost estimates associated with investments into budget requests for subsequent years, but under the one-year budgeting practice used until 2008 there was no assurance that these costs would be receive funding or not.

Table 3.30: PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting

PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting		
Score	Minimum requirements	Justifications, comments and cardinal data
C	(i) Forecasts of fiscal aggregates (on the basis of the main categories of economic classification) are prepared for at least two years on a rolling annual basis.	<i>Justification:</i> The forecasts of fiscal aggregates (on the basis of functional classification) were prepared for three years. But it is related to state budget (Republican and local budgets) and is not linked to setting of annual ceilings of the Republican budget.
A	(ii) DSA for external and domestic debt is undertaken annually.	<i>Justification:</i> The government did not prepare DSAs by themselves in the last three years. This was done by the IMF in the context of the annual Article IV consultation. According to the MTFP for 2008-2010 the GRK period will undertake the following in the medium-term: evaluation of risks connected with government debt and government guarantees based on international methods and benchmarking; monitoring of external debt of the state sector.
D	(iii) Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure.	<i>Justification:</i> Sector strategy documents exist for many sectors. However, there is no example of a link between the financial estimates in such strategies and multi-year fiscal projections.
D	(iv) Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.	<i>Justification:</i> In 2007 recurrent expenditures and investment expenditures were planned separately. Future recurrent cost estimates associated with investments are estimated, but one-year budgeting didn't necessarily provide appropriate funding.

E. Predictability and control in budget execution

3.79 This set of indicators reviews the predictability of funds for budget execution and the internal controls and measures in place to ensure that the budget is executed in a responsible and accountable way.

Table 3.31: C(ii) Predictability and Control in Budget Execution

C(ii) Predictability and Control in Budget Execution			
Indicator	Score	Dimensions	Scoring method
PI-13	B+	(i) B (ii) A (iii) B	M2
PI-14	B+	(i) A (ii) B (iii) B	M2
PI-15	A	(i) A (ii) A (iii) A	M1
PI-16	C+	(i) A (ii) C (iii) B	M1
PI-17	B+	(i) C (ii) A (iii) A	M2
PI-18	B+	(i) B (ii) A (iii) B (iv) B	M1
PI-19	B	(i) C (ii) B (iii) B	M2
PI-20	C+	(i) B (ii) C (iii) C	M1
PI-21	C	(i) C (ii) C (iii) C	M1

(i) PI -13 Transparency of Taxpayer Obligations and Liabilities

(a) Clarity and comprehensiveness of tax liabilities

3.80 The Tax Committee and the Customs Committee of the MF are responsible for collection of all taxes, import duties and a number of fees. The tax legislation of the RK is quite detailed and comprehensive. The basic document is the “Tax Code” (last edition January 2008). The first part of

this code stipulates basic provisions, rights and obligations of tax payers. The second part describes in 12 sections procedures for various types of taxes, tax accounting rules and reporting. The third part touches upon the tax administration – basic principles, process and procedures. The Tax Code is available in the form of a single book which is available in bookstores, public libraries and in the reference database “Lawyer”.

3.81 Discretionary powers of the government entities involved look rather limited within the acting Tax Code, related rules and procedures.

3.82 Yet there is some criticism (from the Accounts Committee Report 2006, interview with a business association) on vague and unclear formulation of some tax procedures. Therefore, a new Tax Code is now being prepared.

(b) Taxpayer access to information on tax liabilities and administrative procedures

3.83 Taxpayers have access to information on taxes via various channels. The major information source is the user-friendly Tax Committee’s web site⁴⁴. The information at the website is structured by types of taxpayers. Each category of taxpayer has easy access to the procedures for registration and filling in tax declarations which contains clarifications. In addition, there are printed brochures and leaflets for various categories of the tax payers presenting their responsibilities. For each taxpayer who is selected for tax audit, a one-page “Instruction for a Taxpayer” is made available describing briefly the rights and duties of taxpayers, rules and procedures of tax audit, and the address of an e-appeal book. This instruction is delivered to a taxpayer before a tax audit. The Tax Committee established a call centre in its premises which is equipped and operational since May 2008. The phone calls from Astana are free of charge.

3.84 In 2007 the Tax Committee conducted a television and internet-conference, a number of round tables for the business community on tax administrative issues and a large-scale survey of taxpayers. Both surveys and round tables are planned to become regular annual practice. In 2007 an anti-corruption strategy till 2010 for the tax authorities was developed. According to a representative of a Business Association, feedback of the business community was taken into account.

3.85 Tax collection is implemented via the Integrated Tax Information System (INIS) covering 224 territorial tax bodies. The process of tax payers’ registration, filling in the tax declarations, submission of tax declaration to local tax authorities, and tax payments are integrated into this system. Tax payments can be made via web-kiosks and cash machines.

(c) Existence and functioning of a tax appeals mechanism.

3.86 The Tax Code⁴⁵ stipulates the rules and procedures for objections and appeals. The provisions state that an appeal can be submitted in writing to the higher tax body within 30 working days after the taxpayer obtains the tax notification. There is a list of information required for an appeal⁴⁶. An

⁴⁴ www.salyk.kz (former www.nalog.kz) and a tax Internet portal www. taxkz.kz

⁴⁵ Tax Code chapters 100-101, articles 552-568

⁴⁶ Tax Code article 554

appeal must be considered within 30 working days since its registration and the decision on the appeal must be justified with explanation. The taxpayer can re-appeal to the Tax Committee of the MF within 30 day since obtaining the decision to its initial appeal. In practice, there are many cases of such tax appeals as well as court cases won by businesses. The possibility to appeal and to win against tax administration was confirmed by a Business Association. In 2007, 183 taxpayers' complaints were received, 71 cases were brought to court and 14 of these court cases (7.6%) were fully won by taxpayers. The procedure of tax appeals registration and processing is well documented and monitored. The number of appeals on taxes considered by the Tax Committee decreased in 2007 - compared to 2005 - insignificantly by 1.2%. However, overall the system of tax appeals is not entirely independent as it functions within the state tax system.

3.87 In 2007 the Tax Committee developed a strategy for further development of the tax authorities for 2008-2012. Currently a new version of a Tax Code is being prepared. The new Code should substantially decrease the number of tax benefits to taxpayers which now exceeds 170. At the same time, plans exist to decrease the tax burden for small and medium businesses and the processing industry.

Table 3.32: PI-13 Transparency of taxpayers obligations and liabilities

PI-13 Transparency of taxpayers obligations and liabilities		
Score	Minimum requirements	Justification, comments and cardinal data
B	(i) Legislation and procedures for most, but not necessarily all, major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved.	<i>Justification:</i> The tax rules and procedures are both comprehensive and clear for most major taxes. <i>Source of information:</i> Tax Code, interviews with 9 executives of the Tax Committee of the Ministry of Finance, websites, Accounts Committee report, interview with a Business Association
A	(ii) Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes, and the RA supplements this with active taxpayer education campaigns.	<i>Justification:</i> Tax payers are well informed through various channels <i>Source of information:</i> Tax Code, interviews with 9 executives of the Tax Committee, interview with a Business Association leaflets and brochures, websites.
B	(iii) A tax appeals system of transparent administrative procedures is completely set up and functional, but it is either too early to assess its effectiveness or some issues relating to access, efficiency, fairness or effective follow up on its decisions need to be addressed.	<i>Justification:</i> The procedures for appeals are clear and they are being used, but it is not really independent as it performs within the state tax system. Insufficient evidence could be gathered to assess its effectiveness. <i>Source of information:</i> The Tax Code, interviews with Tax Committee, interview with a Business Association websites.

(ii) PI-14 Effectiveness of Measures for Taxpayer administration and tax assessment

(a) Controls in the taxpayer registration system

3.88 A taxpayer registration system is a part of the Integrated Tax Information System (INIS) covering 224 territorial tax bodies and presenting a one-window registration system. The system of taxpayers' registration is based on a unique taxpayer identification number. It is integrated with the system of business registration and has also links with a number of banks. The INIS involves elements of taxable turnover, such as opening and operating of bank accounts and there are "Rules of e-interaction between tax bodies and banks". The system automatically calculates penalties in case of tax arrears in accordance with article 46 of the Tax Code. The database allows for electronic checking-in and -out of a taxpayer in case of relocation to another region. About 70% of tax declarations are submitted via electronic devices.

(b) Effectiveness of penalties for non-compliance with registration and declaration obligations

3.89 Non-compliance with the procedural requirements for taxpayer registration and offences are subject to penalties according to the Tax Code and the Code on Administrative violations⁴⁷. The Code on Administrative violations includes clearly described provisions concerning penalties. Fines are calculated in so-called "monthly rated indicators" or as a share of non-paid taxes. Fines for non-(timely) registration vary from 2 "monthly rated indicators" or 4% of the average monthly salary for physical persons up to 70% of the average monthly salary for legal entities. The penalties for incorrect tax declarations range from 0.2 of the monthly salary for physical persons up to 1.0 of the average monthly salary for individual entrepreneurs. For businesses they vary from 30% of unpaid taxes for small and medium enterprises up to 50% for large enterprises. Deliberate and substantial tax evasion of both physical and legal entities is a subject of the Criminal Code⁴⁸. Punishments vary from a financial fine plus one to five years of imprisonment.

3.90 According to a study on the tax administration of the Republic of Kazakhstan, conducted in 2008, in the framework of the Joint Economic and Research Program⁴⁹, experts of the World Bank concluded that the applicable penalties for tax violations appear to be very harsh and do not correspond to the seriousness of the identified violations. They are justified in a literal application of the Code.

(c) Planning and monitoring of tax audit and fraud investigation programs

3.91 The Tax Committee conducts different types of tax audits and monitoring. The rules and procedures are clearly described in the Tax Code and in additional internal documents of the Tax Committee regulating the taxpayers selection procedure and criteria (e.g. "The Regulation on the selection of tax payer subject to tax audit", "Methodical recommendations on tax audit"). The audit is

⁴⁷ Tax Code article 528 and the Code on Administrative violations Chapter 16, article 205.

⁴⁸ Criminal Code articles 221, 222.

⁴⁹ Tax Administration Reform and Modernization (In Two Volumes) Volume II: Tax Strategy Paper Report No. 36494-KZ A Study under the Joint Economic and Research Program of the Government of Kazakhstan and the World Bank. June 2008

conducted on a regular basis by both regional and Republican tax authorities and is supported by the software “electronic tax audit control” since 2003. The schedule for tax audit is currently manually compiled by the Tax Committee but software for automatic compiling of the schedule is under development. An anti-fraud programme which includes identification of the largest potential risks of non-compliance is presented in the integrated database. Risk assessment criteria are elaborated for the corporate tax and VAT separately. Corporate taxpayers are broken into 4 groups according to their annual income. A special department is in charge of auditing taxpayers in the oil and gas sector. Main functions of this department are the supervision of most significant taxpayers in oil & gas and mining sector, and assessment of new contracts and amendments to existing contracts related to the use of subsurface resources.

- 3.92 The future task for the Kazakh authorities is to simplify the tax reporting system and to improve regulations with respect to tax audit procedures and criteria.

Table 3.33: PI-14 Effectiveness of measures for taxpayer registration and tax assessment

PI-14 Effectiveness of measures for taxpayer registration and tax assessment		
Score	Minimum requirements	Justification, comments and cardinal data
A	(i) Taxpayers are registered in a complete database system which is integrated with other relevant government registration systems and financial sector regulations.	<i>Justification:</i> there is an Integrated Tax Information System (INIS) comprising integrated tax and business registration which is linked to a number of banks. <i>Source of information:</i> Tax Code, Code on Administrative violations, Criminal code, interviews with Tax Committee, interview with a Business Association, check of taxpayers integrated database
B	<input type="checkbox"/> (ii) Penalties for non-compliance exist for most relevant areas, but are not always effective due to insufficient scale and/or inconsistent administration	<i>Justification:</i> The Code on Administrative violations and Criminal code include provisions about penalties. Penalties for non-compliance are sufficiently high but are not always fairly and effectively administered <i>Source of information:</i> Code on Administrative violations, Criminal code, WB Report No. 36494-KZ Tax Administration Reform and Modernization (In Two Volumes) Volume II: Tax Strategy Paper. June 2008, interviews with Tax Committee, interview with a Business Association.

PI-14 Effectiveness of measures for taxpayer registration and tax assessment		
Score	Minimum requirements	Justification, comments and cardinal data
B	(iii) Tax audits and fraud investigations are managed and reported on according to a documented audit plan, with clear risk assessment criteria for audits in at least one major tax area that applies self-assessment.	<i>Justification:</i> Audits are conducted on a regular basis, selected on clear criteria for the corporate tax and VAT <i>Source of information:</i> Interviews with Tax Committee; interview with a Business Association; the “Order on the taxpayer audit selection procedure”

(iii) PI-15 Effectiveness in collection of tax payments

(a) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)

3.93 Tax arrears data is accurate and well structured. Data on tax debt collection was submitted upon the request of the PEFA team. There exist various data on tax arrears available by taxpayers and by types of taxes. Debtors having substantial amount of arrears (more than KZT 50 million for a period more than one year) are under a special monitoring regime.

Table 3.34: Tax arrears and total tax payments

Amounts in billion KZT	2005	2006	2007	2008
Tax arrears per 1 January	42.9	40.2	47.9	46.6
Total amount of tax collected	1,306.9	1,998.3	2,708.6	3,393.1
Percentage of tax arrears to total annual tax collection	3.3%	2.0%	1.8%	1.4%

3.94 Tax arrears are separated from penalties and fines. The total amount of tax arrears vary from 40.2 million KZT on 1 January 2006 to 47.9 million KZT on 1 January 2007 and 46.6 million KZT in the beginning of 2008. The largest tax arrears are accumulated with respect to the corporate profit tax; the amount increased from 8.8 million KZT in the beginning of 2006 to 17.3 million KZT in the beginning of 2007. At the same time, the overall amount of tax collected nearly doubled for the last three years: from 1,998.3 million KZT in the beginning of 2005 to 3,393.1 million KZT in the beginning of 2008. As a result, the tax arrears as percentage of total annual tax collection decreased from 2.0% on 1 January 2005 to 1.8% on 1 January 2006 and 1.4% on January 2008.

(b) Effectiveness of transfer of tax collections to the Treasury by the revenue administration

3.95 All tax revenue is paid directly into accounts controlled by the Treasury. All the revenues are presented by type of revenue in a daily report on taxes and payments. Revenue collectors deposit every day the collected amounts in the government bank account.

(c) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

3.96 The Tax Committee verifies and reconciles bank statements with treasury receipts and arrears records on a daily basis

Table 3.35: PI-15 Effectiveness in collection of tax payments

PI-15 Effectiveness in collection of tax payments		
Score	Minimum requirements	Justification, comments and cardinal data
A	(i) The average debt collection ratio in the two most recent fiscal years was 90% or above OR the total amount of tax arrears is insignificant (i.e. less than 2% of total annual collections).	<i>Justification:</i> The total amount of tax arrears is less than 2% of total collected amount in the last two fiscal years. <i>Source of information:</i> Data of Tax Committee of the Ministry of Finance, interviews with Tax Committee.
A	(ii) All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily.	<i>Justification:</i> Transfer of revenue collections is done on a daily basis. <i>Source of information:</i> Interviews with Tax Committee
A	(iii) Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least monthly within one month of end of month.	<i>Justification:</i> Reconciliation is done on a daily basis. <i>Source of information:</i> Interviews with Tax Committee and Akimat of Astana.

(iv) PI-16 Predictability in the availability of funds for commitment of expenditures

(a) Extent to which cash flows are forecasted and monitored

3.97 Cash flow management is regulated by the Budget Code and the “Rules of execution of the Republican and local budgets”. The Treasury Committee registers all payments and commitments in a centralised computer system. This system is the basis for monitoring. In accordance with the budget legislation in 2007 the Treasury Committee prepared a cash flow plan for the current fiscal year and updated it monthly on the basis of monitoring of cash inflows and outflows. The estimated cash flow deficit did not exceed the approved amount of the deficit for the year. The level of monthly cash limits for ministries, departments and agencies were predetermined by the estimated revenues.

(b) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment

3.98 Budget expenditures are committed in accordance with the Annual Plans of funding which presents the budgeted expenditures broken-down by months and according to the economic classification. During the year the Treasury Committee issues approvals on the expenditure ceilings on a monthly basis which makes it possible for spending ministries, departments and agencies to plan and commit their expenditures only for a period of one month.

(c) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

3.99 There are transparent and clear procedures for in-year adjustments to the Plan of funding that are stipulated in the “Rules of execution of the Republican and local budgets”. There are different

procedures for amendments of Plans of funding for programmes and for sub-programmes. The amendments of the sub-programme budget require a governmental resolution concerning amendments to the budget law. Amendments at the level of ministries, departments and agencies (the programme level) should be adopted by the Parliament. Approval of the MEBP is required for amendments that do not change the approved sub-programme limits.

3.100 The Law on the Republican budget contains a list of Republican budget programs that are not subject to sequestration in case of a shortfall in financing. In 2007 there were two significant in-year adjustments – in July and October.⁵⁰ These adjustments resulted in an increase of revenues of 13.3% and increase of expenditures increase of 7.1%.

Table 3.36: PI-16 Predictability in the availability of funds for the commitment of expenditures

PI-16 Predictability in the availability of funds for the commitment of expenditures		
Score	Minimum requirements	Justification, comments and cardinal data
A	(i) A cash flow forecast is prepared for the fiscal year, and are updated monthly on the basis of actual cash inflows and outflows.	<i>Justification:</i> Cash flow forecasting is implemented in accordance with the “rules of execution of the Republican and local budgets”. Interviews with the Treasury Committee showed that in 2007 cash flow forecasting for the current fiscal year was implemented. Furthermore monthly updates were prepared on the basis of actual cash inflows and outflows.
C	(ii) MDAs are provided reliable information for one or two months in advance.	<i>Justification:</i> Expenditures of MDAs are executed on the base of annual plans of funding composed in accordance with the economic classification and breakdown by months. During the last three years the Government did not decrease the level of budget expenditures. It is concluded that MDAs are provided with reliable information about available funds for the current year. But MDAs face very difficult procedures to change their funding plans during the fiscal year. They may implement changes only within the limitations of monthly commitment approvals.
B	(iii) Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way.	<i>Justification:</i> The procedures of adjustments are transparent and formalised. There were two adjustments to budget allocation in 2007. It is noted that the Government has very limited possibilities to implement minor changes to the approved budget without prior approval of the parliament and thus lengthy procedures are required to anticipate even

⁵⁰ The first one was approved by the Law on introducing of changes in 2007 Budget Law as of July 5 2007 №273-III ZRK, the second – by the Law on introducing of changes in 2007 Budget Law as of October 22 2007 №1-IV ZRK

PI-16 Predictability in the availability of funds for the commitment of expenditures		
Score	Minimum requirements	Justification, comments and cardinal data
		small changes.

(v) **PI-17 Recording and management of cash balances, debt and guarantees**

(a) *Quality of debt data recording and reporting*

3.101 At the end of 2007 the stock of public debt was 7.1% of GDP and state guarantees amounted to 0.5% of GDP. The table below summarises the information on public debt and state guarantees of the entire government (central government and sub-national levels).

Table 3.37 Public debt and guaranteed public debt (as percentage of GDP)

	2005 end of year	2006 end of year	2007 end of year
Total public debt and state guarantees	10.3	11.9	7.7
Total public debt ^{1]}	9.3	11.2	7.1
<i>Government</i>	7.1	5.9	5.3
- <i>internal</i>	3.9	3.7	4.0
- <i>external</i>	3.2	2.2	1.3
<i>National Bank</i>	2.1	5.2	1.8
<i>Local governments</i>	1.1	0.8	0.5
State guarantees	1.0	0.7	0.5
Notes [1] Excluding debt of local governments to the central government			

Source: MF, www.minfin.kz

3.102 Information on public debt and publicly guaranteed debt of private companies are available on the website of the MF. The data is also published in the monthly Statistical Bulletin. The monitoring procedures are stipulated in “The Rules on Execution of the Republican and Local Budgets”. The MF subdivides the internal government debt by types of state debt securities. External government debt is subdivided by lenders. Information is updated on a quarterly basis.

3.103 The National Bank is responsible for monitoring and recording of the gross external debt and debt service. The National Bank updates the information quarterly. The gross debt is subdivided by debt of the general government, debt of commercial banks and debt of private companies. These subdivisions are further broken down into long-term and short-term debt instruments. The National Bank presents an analysis of the gross debt in its annual reports, which are available on its website. The information provided by the National Bank on the gross external debt is *not* fully reconciled with the data of the MF. The statistics of external debt is not completely consistent with international standards. It should be disaggregated to allow proper analysis and assessment of the external debt for different types of residents.

(b) *Extent of consolidation of the government’s cash balances*

3.104 The present public financial management system includes the Single Treasury Account (STA) that contributes to consolidating all government accounts including the accounts of local and central government. The STA allows cash balances in all government accounts to be identified and

consolidated on a daily basis following completion of the operations carried out. The resources unused on a temporary basis are deposited to the National Bank accounts. This is seen as a positive change in avoiding unnecessary borrowing and interest costs.

3.105 A number of forward-moving steps were made in recent years by the Government to ensure that the STA is being used in the most effective way. An integrated information system (IIST) was set up aiming to provide budget execution at all levels with transparency and control in accordance with the budget legislation. The IIST includes eight modules: general ledger, management of budget revenues, control of fiscal commitments, provisions for repayment and cash management, assets management as well as foreign currency operations account and overall reporting to government institutions. According to a 2007 World Bank evaluation Kazakhstan scored second place among Central and Eastern Europe and Asia region countries against established Treasury/PFMS indicators.

3.106 In addition, further improvements were made in enhancing the budget execution process by introducing new rules on central and local budgets. The new rules give more clear and coherent instructions to the regions and municipalities to develop, approve and manage their corresponding financial plans, providing more flexibility and deregulation in cash management. More simplified procedures were introduced in relation to submitting invoices for payment and initiating budget transfers from Republican and local budgets.

3.107 The accounts of the National Fund are managed by the National Bank on the agreement of trust management with the government. They are not included in the STA. Balances of the accounts of the National Fund cannot be consolidated with cash balances of STA.

(c) Systems for contracting loans and issuance of guarantees.

3.108 A system of contracting loans and provision of state guarantees is in place and regulated by the Budget Code. Comprehensive and transparent criteria⁵¹ of granting state guarantees are established in the “Rules on Execution of the Republican and Local Budgets”. An entity applying for a state guarantee on loans should meet certain requirements, including a positive opinion of the central authorised bodies. The Budget Law determines limits on state guarantees and these are provided by the MF upon decision by the Republican Budget Commission. State guarantees cannot be provided as security for loans of local executive bodies.

3.109 State guarantees and guaranteed loans are registered and monitored by the MF. Although in 2006 and 2007 the limits on state guarantees were set in the Laws on the Republican budget for these years, state guarantees were not provided to private companies. High requirements to guarantee

⁵¹ A company may apply to obtain a state guarantee if (i) it is a resident of the RK and has no debts on payment and servicing of previously obtained state guaranteed loans, and (ii) the company implements an investment project listed and proposed for financing with non-state loans funds secured with the state guarantee. The list is approved by a decision of the Government. The company should have a guarantee of the bank or insurance contract on loan repayment security. The company will conclude an agreement with the MoF to obtain a state guarantee, which determines the parties’ legal relationship on ensuring execution of the liabilities under the agreement and repayment of the republican budget funds in case of execution of the state obligations under the state guarantee.

receivers limited the access to state guarantees. 2005 was the last year when state guarantees were issued. The total volume of state guarantees issued in 2005 amounted to US\$150 million.

Table 3.38: PI-17 Recording and management of cash balances, debt and guarantees

PI-17 Recording and management of cash balances, debt and guarantees		
Score	Minimum requirements	Justifications, comments and cardinal data
C	(i) Domestic and foreign debt records are complete, updated and reconciled at least annually. Data quality is considered fair, but some gaps and reconciliation problems are recognized. Reports on debt stocks and service are produced only occasionally or with limited content.	<i>Justification:</i> Domestic and foreign debt records are complete and are updated quarterly by the MF and the National Bank. The information is presented on the websites of the MF and the National Bank and in the monthly Statistical Bulletin. But there are some reconciliation problems of debts. The information on external debt is too aggregated and is not consistent with the requirements of international statistics.
A	(ii) All cash balances are calculated daily and consolidated.	<i>Justification:</i> A Single Treasury Account is in place to ensure that cash balances in all government accounts are calculated and consolidated on a daily basis. Enhanced computerised systems are in place to facilitate monitoring of budget execution.
A	(iii) Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity.	<i>Justification:</i> The Budget Code and the "Rules on Execution of the Republican and Local Budgets" regulate the provision of state guarantees. The Republican Budget Commission determines limits of guarantees for the following fiscal year, approves the list of investment projects, the size of guarantee for each project and the list of investment projects which will be financed through government loans. The Government always approves the contracting of loans and issuance of guarantees of the central government.

(vi) PI-18 Effectiveness of payroll controls

3.110 The government implements a variety of measures to guarantee that the payroll is effectively controlled. The whole system of payroll budgeting and implementation constitutes of the following components. A classification system of staff based on years of experience, qualifications and salary levels is established and maintained by the Agency for Civil Service⁵². Furthermore, the Government

⁵² In cooperation with the President's Office

determines and approves periodically the adjustment of salaries for inflation. The “Resolution on approval of limits for number of employees in ministries and other central executive units etc.” defines the maximum number of staff per budgetary unit. It is prepared and approved upon need of change (e.g. due to reorganisation).

3.111 Within the limitations of the budgeted maximum amounts for salary payments ministries, departments and agencies have large discretionary powers to design and implement bonus systems. Bonuses of up to 250% of the salary are not unknown⁵³. The whole system of determining and implementing salary (inclusive of bonuses) payments is ruled, amongst others, by the law on public service and internal regulation No. 225.

3.112 Line ministries and agencies usually have their own human resource departments which are responsible for recruiting and dismissing staff, registration of personnel data and approving time sheets of staff. Accounting departments (or the payroll accountant) in these ministries are responsible for preparing the payroll on a monthly basis. Accounting departments submit the monthly payment requests for salary payment to the Treasury Committee. This submission consists of a set of physical documents and an electronic payroll file. The Treasury Committee processes this file through its computerised systems (IIST) and submits the payment order to the National Bank for execution. Salary payments are part of the standard set of controls that the Treasury uses for all payments, i.e. verification whether sufficient funds are available to execute the payment (see also PI-20).

(a) Degree of integration and reconciliation between personnel records and payroll data

3.113 There is a manual interface between the personnel records maintained by the Human Resource department and the payroll database. Personnel records in ministries, departments and agencies are usually not computerised. Reconciliation between personnel records and payroll data typically takes place at least on a monthly basis at decentralised levels in accounting departments of government institutions.

(b) Timeliness of changes to personnel records and the payroll

3.114 According to the interviewed accounting departments in some ministries, changes to personnel records and the payroll are carried out at least once per month, the frequency in which payrolls are prepared. Based upon interviews with the Financial Control and State Procurement Committee there is no reason to assume that there are significant delays in entering changes.

(c) Internal controls of changes to personnel records and the payroll

3.115 Procedures exist for internal control of the payroll and are a/o described in internal regulation No. 225. The most important measure of internal control is the separation of powers between Human Resource officers and Payroll Accountants.

(d) Existence of payroll audits to identify control weaknesses and/or ghost workers

3.116 The Committee for Financial Control and Procurement (CFCP) performs ex-post controls on payroll implementation and salary payments. According to the CFCP, only a very limited number of

⁵³ Source: Agency for Civil Service

irregularities have been detected as is shown in the table below. Available audit reports do not provide detailed insight in the type of irregularities and control weaknesses in relation to the payroll. Audits include the verification of presence of staff at work, e.g. by checking working schedules and other relevant documents.

Table 3.39: Payroll Audit statistics CFCP

	2005	2006	2007
Number of inspected units (national and sub national level) ^[1]	6,536	7,462	8,405
Total amount of non-compliance (million KZT)	32,163	41,101	54,362
Percentage of non-compliance related to payroll	0.5%	0.6%	0.6%
Note: [1] out of 27,000 units			

Source: Data provided by CFCP upon request of the PEFA team

3.117 The Accounts Committee (AC) also plays a role in ex-post audit of salary payments. The AC considers that audit of salary payments is only a limited part of the scope of its work. In recent years the AC has not identified serious irregularities in conjunction to the governments' payroll.

Table 3.40: PI-18 Effectiveness of payroll controls

PI-18 Effectiveness of payroll controls		
Score	Minimum requirements	Justification, comments and cardinal data
B	(i) Personnel data and payroll data are not directly linked but the payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data	<i>Justification:</i> Manual interface between personnel data and payroll data. <i>Sources of information:</i> Interviews with CFCP, AC, MH, MLSP, ME, internal regulation No. 225.
A	(ii) Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3% of salary payments)	<i>Justification:</i> Changes to the personnel records and payroll are updated monthly. CFCP Payroll audit revealed only a very limited number of irregularities. <i>Comments:</i> Level of retroactive adjustments is not known. <i>Sources of information:</i> Interviews with CFCP, AC, MH, MLSP, ME and internal regulation No. 225.
B	(iii) Authority and basis for changes to personnel records and the payroll are clear	<i>Justification:</i> MDAs usually different departments for HR and (Payroll) Accounting with separation of duties for maintenance of HR records and payroll. <i>Sources of information:</i> Interviews with CFCP, AC, MH, MLSP, ME and internal regulation 225.
B	(iv) A payroll audit covering all central government entities has been conducted at least once in the last three years	<i>Justification:</i> CFCP undertook during the last three years payroll audits in 22 thousand units out of 27 thousand units

PI-18 Effectiveness of payroll controls		
Score	Minimum requirements	Justification, comments and cardinal data
	(whether in stages or as one single exercise)	(national <i>and</i> sub-national level). <i>Sources of information:</i> Interviews with CFCP

(vii) PI-19 Competition, value for money

3.118 The procurement laws and regulations have undergone major improvements in recent years. The Committee for Financial Control and Procurement (CFCP) in the Ministry of Finance was established in 2004 and is responsible for overseeing adherence to the country's legislative requirements, financial reporting and efficiency of public expenditure.

3.119 In 2004/05 a team of the World Bank has assessed in close cooperation with the CFCP the efficiency of the public procurement system for public expenditure. According to the staff of the CFCP, most major recommendations have been given follow-up; first in various regulations and subsequently in a new procurement law enforced on 1 January 2008. Major improvements in the recent years include:

- Separation of internal control (internal audit) and public procurement support function by the CFCP and the Procurement Department respectively;
- Strengthening of a free-standing complaint mechanism for bidders. Provisions are laid down allowing potential bidders to appeal in a statutory order against actions by procurement organisers, evaluation commissions or experts if such actions are in conflict of bidders' lawful interests;
- Provisions laid down for submitting financial proposals by bidders on the day of the bids' evaluation, separately after technical proposals assessed.

3.120 A Public Procurement Performance System with procurement efficiency indicators has not been established although statistics on procurement are published in the Monthly Statistical Bulletin. Since 2008, the procurement is largely electronically supported by means of a website⁵⁴ that offers comprehensive information on all announced tenders by types (competition, supplier selection by request of pricing facilities, purchase from one source, electronic auctions, commodity exchange trading and other) as well as tender processes and selected suppliers. All relevant tender documents, including forms, templates and requirements for bidders and applicable legislation, can be downloaded from this site. The website also provides updates on results of procurement and black listings (unreliable suppliers identified through court resolutions).

3.121 Procurement is subject to regular internal audit by the CFCP. According to information of the CFCP, 5,534 audits on public procurement in the public sector (including sub-national levels) were conducted with a total volume of KZT 1,356 billion. In 36% of the audits violations of the procurement rules were detected with a total volume of KZT 167 billion (which equals 12% of total audited public procurement).

3.122 Also the Accounts Committee is in the position to perform external audits to ensure that public bodies comply with rules and procedures on public procurement systems and to ensure targeted use of budget resources. However, these audits are not implemented on a regular basis. According to the AC almost all irregularities in procurement that were discovered in recent years were due to imperfections in the old legislation which are now eliminated in the new procurement law of 2008 and associated rules. The World Bank concludes that it is now too early to judge the impact of the 2008 procurement law.

(a) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases

3.123 In 2007 public procurement amounted to 400 billion KZT of which almost 40% was procured by means of competition (tender), approximately 10% by means of supplier selection by request of pricing facilities and about 50% by means of purchase from one source. Details of the 2007 procurement by central government are showed in the table below.

⁵⁴ See www.goszakup.kz

Table 3.41: Procurement statistics Republican Budget for 2007

Type of purchase	Quantity of procurement carried out	Amount of procurement, [billion KZT]	Total purchase [billion KZT]
Grand Total	134,990	407.1	397.7
State Procurement by means of competition	1.45%	37.93%	36.67%
<i>* State Procurement by means of open competition</i>	<i>1.43%</i>	<i>36.23%</i>	<i>34.94%</i>
<i>* State Procurement by means of closed competition</i>	<i>0.02%</i>	<i>1.71%</i>	<i>1.72%</i>
State Procurement by means of supplier selection by request of pricing facilities	79.6%	11.0%	11.2%
State Procurement by means of purchase from one source	19.0%	51.1%	52.1%
<i>* Including purchases from suppliers apart from natural monopoly units</i>	<i>4.57%</i>	<i>41.10%</i>	<i>42.00%</i>
State Procurement by means of open commodities markets	0.01%	0.00%	0.00%

Source: Statistic Bulletin of the Ministry of Finance No 3 (111) March 2008

(b) Justification for use of less competitive procurement

3.124 The threshold for full competitive bidding is defined by the procurement rules. Contracting authorities are required to announce open competition for contract amounts above a threshold of 2.3 million KZT⁵⁵. Single Source Procurement (SSP) is – in accordance with the law - only allowed in urgent and specific situations (waiver), namely (i) cancellation of tenders in cases when offers were not received, (ii) in cases when there is a necessity to buy from specific vendors that provide unique standards (e.g. compatibility in the situation of repetitive purchases) or (iii) in case of monopolist suppliers.

3.125 In 2007 ministries and agencies have requested CFCP in 5,347 cases to approve single source procurement and only 51% of the requests has been approved⁵⁶. This figure raises questions about the clarity of the rules for SSP. With effect from 2008, prior approval from CSCP for SSP is not longer required. CFCP plans to conduct ex-post control on the utilisation of SSP. Furthermore, the audits of CFCP show a significant amount of violations of the Procurement regulations, but it is unknown which part of these violations relate to inappropriate use of less competitive procurement mechanisms.

(c) Existence and operation of a procurement complaints mechanism

3.126 A procurement complaint mechanism has been in place since 2004 and is managed in a separate department⁵⁷ of the CFCP. Until the beginning of 2008, the CFCP was not only responsible for processing complaints and controlling procurement, it had also extensive procurement support and implementation tasks which can be considered as a (potential) conflict of interest with its controlling and complaint handling mandate. In the beginning of 2008, the procurement implementation and support activities have been firmly separated from the CFCP in a new Procurement department in the Ministry of Finance⁵⁸ while the procurement complaint department remained under the wings of the CFCP⁵⁹.

3.127 The interviewed business association has reservations with the objective functioning of the complaint mechanism. It also confirmed that complaint cases can be put forward to Court – the external higher authority.

⁵⁵ In 2008 prices, approximately EUR 12,630. The threshold is based on an index equal to 1168 KZT for 2008 multiplied by 2000.

⁵⁶ Source: CFCP and MoF Procurement Department interviews

⁵⁷ Department of control after compliance of procurement procedures

⁵⁸ In Accordance with Government Decree “about some issues as of 24 April 2008”

⁵⁹ Department No 5 of the CFCP in accordance with “Order No 202 of the Minister of Finance about the Committee for Financial Control and Procurement” dated 24 April 2008.

Table 3.42: PI-19 Competition, value for money

PI-19 Competition, value for money		
Score	Minimum requirements	Justification, comments and cardinal data
C	(i) Available data shows that less than 50% of contracts above the threshold are awarded on an open competitive basis, but the data may not be accurate	<p><i>Justification:</i> The level of Single Source Procurement is high (more than 50% of total procurement value and about 20% of the number of procurement transactions). No accurate information is available about the level of competition for contracts above the threshold.</p> <p><i>Comment:</i> Procurement regulatory framework and associated rules defining procedures for public procurement are consistent.</p> <p><i>Source of information:</i> CFCP, Statistical Bulletin, MF Procurement Department.</p>
B	(ii) Other less competitive methods when used are justified in accordance with regulatory requirements.	<p><i>Justification:</i> Extensive use of less competitive methods observed in accordance with regulatory requirements, which are though not entirely clear given the large percentage of disapprovals by CFCP for Single Source Procurement in 2007.</p> <p><i>Comment:</i> Prior approval requirement for SSP by CFCP has been abandoned in 2008.</p> <p><i>Source of information:</i> CFCP, Procurement department MF.</p>

PI-19 Competition, value for money		
Score	Minimum requirements	Justification, comments and cardinal data
B	(iii) A process (defined by legislation) for submitting and addressing procurement process complaints is operative, but lacks ability to refer resolution of the complaint to an external higher authority	<p><i>Justification:</i> Procedures for using complaints mechanisms by bidders, including appeals, enabling the submission and timely resolution of complaints by bidder are in place. Justification for tender cancellation procedures, including those derived from considering complaints is well defined.</p> <p>However, the complaint mechanism cannot be considered independent (in 2007) since it operates under the wings of the CFCP which in 2007 was also responsible for supporting and implementing procurement itself.</p> <p><i>Comment:</i> New laws and regulations have given the complaints mechanism an independent position in 2008. Resolution of the complaint to Court (external higher body) is in place (also in 2007)</p> <p><i>Source of information:</i> CFCP, procurement law, Procurement Department MoF, AC.</p>

(viii) PI-20 Effectiveness of internal controls for non-salary payments

3.128 Management and control of payments are facilitated by the Integrated Information System of Treasury (IIST). IIST has a commitment and a payments module. The Commitments management module effectively (i) prevents MDAs to submit requests above the sums of monthly allowances, (ii) keeps an electronic registration system of contracts concluded by the budget institutions and (iii) monitors the execution of commitments plans (each budget institution has annual plans of payments and commitments, and both plans are broken down by months according to the sums of monthly allowances). The data from the Commitments management module are reconciled monthly with the budget institutions' information systems, whereas budget institutions receive the notifications from the Treasury after each transaction carried out by the Treasury on their behalf.

3.129 The registration system of contracts concluded by the MDAs has been established in 2001 along with the whole IIST, with the special purpose to conduct a strict control over receivables and payables of MDAs (see also PI-4). The contracts between MDAs and their suppliers are not valid without registration in the Treasury system. This system contains the data on the government suppliers since 2001 but they are not open for the public. It is planned that the registration system of contracts kept by the Treasury and the open register of government contracts kept by the CFCP since the beginning of 2008 (see indicator PI-10, element 5) will be integrated in the future.

3.130 The Payments management module (i) has a database of budget money receivers, (ii) provides the entry of invoices (with simultaneous registration of unpaid sums and subsequent monitoring of their redemption), (iii) compiles the payment orders and sends them to the National Bank via the

interface module. The interaction of IIST with its clients (MDAs) with respect to commitments and payments is not on an online and real time basis yet; it is planned to start pilot implementation of the “Treasury – Client” electronic system by the end of August 2008 in two cities (Astana and Almaty). Currently the reconciliation of commitments and payments data between the information systems of MDAs and the IIST is done monthly by a special software “Monitoring of budget process”.

3.131 The Supreme Audit Institution’s (Accounts Committee) report on the budget for 2006 contains some evidence of circumvention of the transactions’ processing rules within the Treasury committed by some ministries.⁶⁰

3.132 The situation with internal control and internal audit of commitments and other activities within the MDAs is as follows:

- There is no unified regulation of internal control as a process with clearly defined characteristics in accordance with key international standards fixed in the INTOSAI Guidelines for internal control standards for the public sector⁶¹. The underdeveloped concept of internal control is confirmed by some MDAs⁶²
- According to the Rules of conducting internal control, the “internal control” definition is not applied to the control process within the government organisations but to the process carried out (i) by the CFCP in the form of regular inspections in government organisations, and (ii) by internal control units functioning in several government bodies. In fact, these units are elements of internal audit (see indicator PI-21)⁶³.
- The risk management concept is not (fully) integrated in the internal audit (called Internal Control in Kazakhstan). The control and audit activities within the government organisations are fragmented and not fully developed.
- According to the judgement of the Accounts Committee the assessment of the measures of internal control within government organisations is just starting to develop, mainly within the Accounts Committee’s performance audit arrangements, as stipulated in the Methodical recommendations on efficiency control⁶⁴.

⁶⁰ See Report on execution of the republican budget for 2006, pp. 63 – 65; www.esep.kz/rus/content/view/full/1987.

⁶¹ INTOSAI, 2004; For instance, continuity, incorporation into the organisational structure and management processes, embracement of all managers and employees, directed to risk management, inclusion of 5 components (i.e. control environment, risk assessment, control activities, information and communication, monitoring), differentiation between internal control and internal audit.

⁶² According to the head of Financial control and state property unit of the Ministry of Agriculture (MA), the activity of this unit is primarily aimed at financial control over MA’s territorial bodies and budget organisations subordinated to the MA, but not at the MA’s activity itself. In turn, officials of the MA sometimes use the Financial control and state property unit as a reference source to clarify financial issues in subordinated bodies.

⁶³ This situation means the presence of two bodies conducting audit – CFCP (audit on behalf of the MF / Government) and Accounts Committee (on behalf of the Parliament / President),

⁶⁴ i.e. on performance auditing, issued by the Accounts Committee in 2004 (clauses 3, 9, 28, 36, 37)

Table 3.43: PI-20 Effectiveness of internal controls for non-salary expenditure

PI-20 Effectiveness of internal controls for non-salary expenditure		
Score	Minimum requirements	Justification, comments and cardinal data
B	(i) Expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations for most type of expenditure, with minor areas of exception.	<i>Justification:</i> Sufficient characteristics of automated commitments control within the IIST Treasury in 2007. This is confirmed in the World Bank assessment. <i>Comment:</i> See indicator PI-4 for description of some inconsistency of data on payables. <i>Source of information:</i> Interviews with the representatives of the Department of Reporting and Statistics (MF) and of the Treasury Committee ⁶⁵
C	(ii) Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application.	<i>Justification:</i> In 2007 the internal control system as a whole and internal control activities in particular were fragmented and not fully developed and are not yet in line with international standards. Assessment of internal control weaknesses by the SAI has just been started. <i>Source of information:</i> Rules of conducting the internal control; Interviews with CFCP, AC and MDAs.
C	(iii) Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.	<i>Justification:</i> Absence of fully automated (on-line and real time) interaction between the Treasury and its clients (MDAs) during the transactions processing, coupled with evidence of simplified procedures taken place in 2006 and indicated in the Accounts Committee's report. <i>Source of information:</i> Interviews with the Treasury Committee, AC and AC's report on execution of the budget for 2006.

⁶⁵

Including presentation of Treasury Committees Oracle system on 21.05.2008.

(ix) PI-21 Effectiveness of internal audit

3.133 There is no concept of internal audit in the budget legislation. However, the concept of “internal control” which is stipulated in the Budget Code⁶⁶ is in fact quite close to the principles of internal audit.

According to the Budget Code:

- state external and internal financial control includes: compliance with legal requirements, financial reporting quality (accuracy, reliability, timeliness), budget programme efficiency, effectiveness and expediency, justification of budget programme activities;
- the state external and internal financial control is based on principles of independence, objectivity, reliability, transparency, competence, openness;
- the internal control is carried out by the central authorised body and by internal control units in government institutions;
- on the one hand, the central authorised body carries out control in government organisations with respect to all above-mentioned types of control;
- on the other hand, the central authorised body receives the internal control units’ reports on their planned and fulfilled activities, the results and conclusions;
- the internal control units are established in accordance with a Government decision;
- the internal control units are accountable to the head of the relevant government organisation and have an organisational and functional independence from other units.

3.134 The list of central government bodies that are allowed to establish internal control units has been published in a government resolution⁶⁷. In 2007 internal control units were functioning in 13 central government bodies, including the MF and the most important MDAs. It is planned to establish these units in three other ministries⁶⁸. The central authorised body for internal audit is the Committee of Financial Control and Procurement (CFCP) which is subordinated to the MF⁶⁹. In 2007 the internal control units in MDAs carried out 702 controls. The monetary amount of identified violations was 5.4 billion KZT.

⁶⁶ section 7 and chapter 30 in particular

⁶⁷ Resolution of 3.09.2004 N 931

⁶⁸ Note that the total number of central government bodies is 38

⁶⁹ Although according to the Budget Code, the supervision of internal control units is not the main activity for the CFCP (see also explanation of indicator PI-20)

3.135 The activities of the CFCP and internal control units are regulated by two documents: (i) Standards of state financial control (including Code of Ethics)⁷⁰ and (ii) Rules of internal control implementation⁷¹ which defines the planning of controls, requirements to comprehensive and thematic types of controls, control procedure⁷², and procedures with regard to quality control and executive response to the results and conclusions.⁷³

3.136 The CFCP has an information system “Financial control” containing the results of all controls and the responses received from relevant executives. It receives quarterly reports from internal control units established in central government bodies. Moreover, the CFCP, conducts training seminars for internal control unit employees, and carries out reconciliations with law enforcing institutions with respect to measures taken in response to the control findings and recommendations.

3.137 Internal control units (ICU) prepare quarterly audit reports. But there is no system for regular submission of such reports to the Supreme Audit Institution, the Accounts Committee. The Accounts Committee can get access to the reports of internal control units by special request or during its audits.

3.138 The Accounts Committee does not yet evaluate the effectiveness of ICU’s as is required by international standards.

3.139 The Accounts Committee ’s opinion is that the ICUs are in their initial stage of development with respect to addressing systemic issues and compliance with the international standards on auditing.

⁷⁰ Standards of state financial control approved by the Accounts Committee’s resolution of 7.10.2004 N 28 (with the enclosed Rules of ethics) which are quite close to the Code of ethics and auditing standards of INTOSAI

⁷¹ approved by Government resolution of 30.11.2004 No 1246

⁷² Which includes the content of the document being the basis of the control; the composition of the team; the timing of the control; the duties of the head and members of the team; the right to access to all documents and premises; the main areas of control defined as check-up of juridical and accounting documents, efficiency of budget funds’ use, correspondence between the transactions and primary documents, compliance with government procurement procedures, presence of assets and cash, accuracy of accounting and reporting; the possibility to carry out counter check-up of suppliers; the content of the report with enclosed records and conclusions; the procedure of familiarisation of relevant executives with the results, etc.

⁷³ The CFC and internal control units submit the recommendations on elimination of identified violations to the heads of audited entities, and these executives are obliged to fulfil the requirements within 1 month.

Table 3.44: PI-21 Effectiveness of internal audit

PI-21 Effectiveness of internal audit		
Score	Minimum requirements	Justification, comments and cardinal data
C	(i) The function is operational for at least the most important central government entities and undertakes some systemic review, but may not meet recognized professional standards.	<i>Justification:</i> In 2007 Internal Audit units were operational in 13 out of 38 central government entities, the regulatory framework in the form of appropriate standards and rules was in place, but the practice of these units is just beginning to develop. <i>Source of information:</i> Budget Code, Standards of state financial control; Rules of internal control implementation Interviews with CFCP, AC.
C	(ii) Reports are issued regularly for most government entities, but not be submitted to the Ministry of Finance and the SAI.	<i>Justification:</i> In 2007 the reports on control findings were issued quarterly and submitted to the heads of relevant MDAs and to the CFCP, but they were not submitted to the AC. <i>Source of information:</i> Budget Code; Rules of internal control implementation, Interviews with CFCP.
C	(iii) A fair degree of action taken by many managers on major issues, but often with delay	<i>Justification:</i> In 2007 the executives' response was prompt (within 1 month after receipt of the recommendations) and monitored by the CFCP (including interaction with law enforcing bodies). <i>Source of information:</i> Rules of internal control implementation ⁷⁴ , Interview with CFCP.

⁷⁴ article 6

F. Accounting, recording and reporting

3.140 This set of indicators considers the quality and timeliness of accounting, recording and reporting. A summary of the scores are set out in the table below.

Table 3.45: C(iii) Accounting, Recording and Reporting

C(iii) Accounting, Recording and Reporting				
Performance Indicator		Score	Dimensions	Scoring method
PI-22	Timeliness and regularity of accounts reconciliation	A	(i) A (ii) A	M2
PI-23	Availability of information on resources received by service delivery units	A	(i) A	M1
PI-24	Quality and timeliness of in-year budget reports	A	(i) A (ii) A (iii) A	M1
PI-25	Quality and timeliness of annual financial statements	D+	(i) D (ii) A (iii) C	M1

(i) PI-22 Timeliness and regularity of accounts reconciliation

3.141 As mentioned, the MF has established a Single Treasury Account (STA) at the National Bank (see PI-17). A system of sub-accounts is in place to accommodate the accounting of and allocations of funds to budget institutions at the national level and state institutions at the sub-national level. Transfers to the STA sub-accounts of budget institutions are carried out on the basis of a monthly expenditure plan which incorporates budget ceilings for these units.

3.142 In general, budget institutions at all levels do not have their own bank accounts. Only for the purpose of implementing investment projects some MDAs have their own accounts. All payment requests are channelled from the budgetary unit via the Treasury to the National Bank. Accounting departments in budget institutions operate their own accounting systems. A common accounting software across the public sector does not exist, however, according to plans of the MF it is foreseen that the computerised information system of the Treasury (IIST) will be expanded towards budget institutions in order to create a fully integrated financial management information system.

3.143 On a monthly basis, budget institutions submit their financial information via a computerised process ('monitoring of the budget process') to the Treasury Committee. Based on this information reconciliations are made and financial reports are prepared. Reconciliation of bank accounts and clearance of suspense accounts and advances is implemented on a monthly to quarterly basis. Internal regulation No. 225 on rules for Republican and local budget⁷⁵ contains comprehensive arrangements for reconciliation of operations.

⁷⁵ Chapter 18

3.144 The accounting of the National Fund’s oil sector tax revenues is carried out jointly by the Treasury and the Tax committees of the Ministry of Finance.

3.145 The following reconciliations are carried out:

- Reconciliation of bank accounts (STA-sub accounts) on a daily basis (source: Treasury, confirmed by CFCP);
- Reconciliation of advances, accounts payable and accounts receivable in principle on a monthly basis (source: Treasury Committee, confirmed by CFCP);
- Reconciliation of cash and current accounts between national and sub-national levels on a monthly to quarterly basis (Regulation No. 225).

3.146 Both the Treasury and the CFCP have assured that in the recent past the reconciliation had not led to uncleared balances of material importance.

Table 3.46: PI-22 Timeliness and regularity of accounts reconciliation

PI-22 Timeliness and regularity of accounts reconciliation		
Score	Minimum requirements	Justification, comments and cardinal data
A	Reconciliation for all central government bank accounts take place at least monthly at aggregate and detailed levels, usually within 4 weeks of end of period.	<i>Justification:</i> Reconciliations take place on a daily to monthly basis. <i>Source of information:</i> Interview with Treasury department of the Ministry of Finance, Committee for Financial Control and Procurement, Accounts Committee
A	Reconciliation and clearance of suspense accounts and advances take place at least quarterly, within a month from end of period and with few balances brought forward	<i>Justification:</i> Reconciliations take place on a monthly basis. <i>Source of information:</i> Interview with Treasury department of the Ministry of Finance, Committee for Financial Control and Procurement, Accounts Committee

(ii) PI-23 Availability of information on resources received by service delivery units

3.147 Primary and secondary schools and primary health clinics are financed from two budget sources – local budgets for current expenditures and the Republican budget for capital expenditures. Capital expenditures of new schools and primary health clinics are financed from the Republican budget as well as the related current expenditures for the first two or three years.

3.148 Monitoring of financial management in schools is the responsibility of the Rayon (cities, towns) education departments which, for instance, maintain the personnel records of all school employees. There is some general guidance from the Ministry of Education (ME) concerning budget allocations based on ‘norms’, which takes into account estimated teaching hours and class sizes, etc. However, there does not appear to be any regulation issued to Rayons on how funds should be allocated between the various schools in a locality. There is a scope for ‘ad hoc’ allocations. A formula for allocations of resources based on the number of students/pupils is not used. The ME

considers though the possibility to apply this method. It is also apparent that substantial regional differences in funding levels of schools exist. According to the MEBP budgetary provisions in regions are rather uneven.

3.149 Monitoring of financial management in primary health clinics is the responsibility of oblasts health departments. Health budget planning at the oblast level is based “*on the achieved level in previous year*”, taking indexation into account. This only preserves existing regional disproportions and distortions in volumes of health services in cities and rayons per one inhabitant. Equalisation is ensured by Departments of health through multiplying the oblast average medical use of a certain type per person by the number of inhabitants in the town or rayon.

3.150 The Treasury-based budget execution of all levels of the budget system, the single accounting system and single budget classification allow holding accurate and complete data on financing of schools and primary health clinics. Information on financing of primary and secondary schools and primary health clinics across the country is compiled into reports on execution of local budgets by the Treasury on a monthly and annual basis.

3.151 The ME and the MH request the monthly and annual reports from the Treasury in terms of financing of primary and secondary schools and primary health clinics across the country. The ministries themselves carry out regular monitoring and analyses of planned and actual financing.

In 2005 and 2006 two public expenditure tracking surveys (PETS) of schools and primary health clinics were conducted in the framework of technical assistance to Kazakhstan by the World Bank. However, none of them aimed to provide deep analysis of resources received in cash and in kind by either school or primary clinics⁷⁶.

⁷⁶ The first PETS – ‘Review of Public Expenditures and Investments in the Field of Healthcare and Education’ - was prepared in 2005 and contains an analysis of public expenditures and investments in the field of healthcare and education and cash flows at all levels. Kazakhstan Review of Public Expenditures and Investments (in education and healthcare systems) EW-P088990-ESW-BB

In 2006 a “Study of the Impact of the Treasury System on the Implementation of Health Financing Reforms and the Programme of Reforming and Development of Health in the Republic of Kazakhstan for 2005-2010” was elaborated in the framework of the Joint Economic Research Programme in the Health Sector of Kazakhstan. It contains an analysis of the process of financing of health facilities from budget preparation to budget execution at all levels. It provides detailed information of regional health financing systems of the South Kazakhstan Oblast (SKO), North Kazakhstan Oblast (NKO), Mangistau and Karaganda Oblasts.

Table 3.47: PI-23 Availability of information on resources received by service delivery units

PI-23 Availability of information on resources received by service delivery units		
Score	Minimum requirements	Justifications, comments and cardinal data
A	(i) Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by both primary schools and primary health clinics across the country. The information is compiled into reports at least annually.	<i>Justification:</i> The Treasury routinely collects monthly and annually data on execution of local budgets with complete information on financing of schools and primary health clinics across the country. Treasury issued reports are used by the Ministry of Education and the Ministry of Health for regular monitoring and analysis of financial status of schools and primary health clinics.

(iii) PI-24 Quality and timeliness of in-year budget reports

3.152 The Treasury Committee registers both commitments and actual expenditures in their comprehensive information system. For internal governmental use reports with budgeted, committed and actual expenditure are shared with respective MDAs⁷⁷. MDAs do not have on-line access to the information system of the Treasury Committee and data is transmitted in hard copy. Furthermore, the MF publishes in-year budget execution reports in the monthly statistical bulletin and on her website. The preparation and publication of these reports is the responsibility of Department for Reporting and Statistics of the MF.

⁷⁷ An example of the Ministry of Health has been assessed by the PEFA team.

Scope of reports in terms of coverage and compatibility with budget estimates

3.153 The Statistical bulletin contains comprehensive data on budget execution and includes amongst others:

- Current year budget execution data of Republican and State budgets⁷⁸ compared to the last three years on the basis of functional, economic and administrative classifications;
- Current year budget execution data of both the Republican and State budget on a functional basis - programme level;
- Overview of accounts payable and accounts receivable;
- Overview of the portfolio of the National Fund;
- Overview of government debt;
- Information on public procurement.

3.154 The bulletin does not provide a (narrative) explanation on differences between budgeted and actual figures. Apart from the statistical bulletin – which is publicly available - no specific in-year budget execution reports are presented to the Parliament. Information in the statistical bulletins is presented in such a way that comparison with the original budgets is possible.

3.155 Furthermore the Ministry of Finances publishes on its website aggregated statements of budget execution including a “statement of receipts and application of the National Fund of the Republic of Kazakhstan” and a “Republican budget execution report”. Both statements are published on a monthly basis.

Timeliness of the issue of reports

3.156 Treasury reports are normally submitted to MDAs on a monthly basis, upon request of the respective MDA. The statistical bulletin is published within a period of one to two month after the end of the reporting period as a printed document and as a digital document.

Quality of information

3.157 Audited budget execution reports (audited financial statements) were not available to the PEFA team⁷⁹. The MF has confirmed that there are no differences between audited statements and statements presented in the Statistical Bulletin. For the year 2006 the audit report of the AC did not reveal material differences at the main classification levels. The AC report for 2007 was not yet available at the time of this PEFA assessment.

⁷⁸ In the State Budget, the Republican and local budget are consolidated.

⁷⁹ Except for 2006 which was received from Mazhilis.

Table 3.48: PI-24 Quality and timeliness of in-year budget reports

PI-24 Quality and timeliness of in-year budget reports		
Score	Minimum requirements	Justification, comments and cardinal data
A	(i) Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at both commitment and payment stages.	<i>Justification:</i> Comprehensive in-year budget reports are available for both for internal use in the government and external use by the public. <i>Source of Information:</i> Statistical Bulletin and internal documents
A	(ii) Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.	<i>Justification:</i> Statistical Bulletin is published monthly and Treasury provides information to MDAs on request. <i>Comment:</i> State institutions do not have direct access to the database of the Treasury Committee. <i>Source of Information:</i> Interviews with Treasury Committee, Committee for Reporting & Statistics, MH, MLSP, ME
A	(iii) There are no material concerns regarding data accuracy	<i>Source of information:</i> Audit report of the AC.

(iv) PI-25 Quality and timeliness of annual financial statements

3.158 According to the Budget Code⁸⁰, the annual financial statement of the GRK with respect to the Republican budget consists of only one type of report, i.e. the Annual report on the Republican budget execution. A consolidated balance and financial results report on the Republican budget are not compiled. The large database on assets of government institutions is part of the Assets management module of the Integrated Information System of Treasury (IIST), but it is not used for the generation of consolidated balance sheets yet. The full set of annual financial statements is planned to be introduced within the future reform of accounting and reporting in the public sector.

3.159 The deadline of submission of the annual report on the Republican budget execution for external audit is prescribed by the Budget Code as not later than April 1 of the year following the reporting year. This provision is met in practice. The report on the Republican budget execution for 2006 was presented to the Accounts Committee for external audit on 30 March 2007. The report on Republican budget execution for 2007 was presented to the Accounts Committee for external audit on 30 March.2008.

3.160 National accounting and reporting standards for the public sector are not fully developed yet. There are two separate sets rules that regulate the accounting and reporting with respect to (i) the

⁸⁰ Budget Code section 6, chapter 22, article 121, clause 4

Republican budget execution⁸¹ and (ii) government institutions⁸². Both types of accounting are cash based and in many respects are considered by the MF officials as quite different from the International Public Sector Accounting Standards. The transition to the unified budget accounting and reporting in accordance with international standards, including the accruals method, and the integration of budget classification with the chart of accounts are planned within the future reform of accounting and reporting in the public sector.

⁸¹ Rules of budget accounting approved by the order of the Minister of Finance of 14.12.2004 No 445 and Rules of compiling and presenting reports on state, consolidated, regional, republican and local budgets approved by the order of the Minister of Finance of 8.12.2004 N0 432

⁸² Instruction on accounting in government institutions approved by the order of the Treasury Department of the Ministry of Finance of 27.01.1998 N0 30 and Rules of compiling and presenting reports of government institutions of 1.12.2004 No 424

Table 3.49: PI-25 Quality and timeliness of annual financial statement

PI-25 Quality and timeliness of annual financial statement		
Score	Minimum requirements	Justification, comments and cardinal data
D	(i) Essential information is missing from the annual financial statements.	<i>Justification:</i> Absence of two key annual consolidated government statements (balance and financial results report) in 2007. <i>Source of information:</i> Budget Code; Interview with the Department of Reporting and Statistics of the MF.
A	(ii) The statement is submitted for external audit within 6 months of the end of the fiscal year	<i>Justification:</i> The report on Republican budget execution for 2006 was presented to the Accounts Committee for external audit on 30.03.2007 and the report on Republican budget execution for 2007 was presented to the Accounts Committee for external audit on 30.03.2008 (i.e. within 3 months after the end of the fiscal year, in accordance with the Budget Code). <i>Comment:</i> Note that the balance sheet, financial results report and consolidated statements were not presented for external audit. <i>Source of information:</i> Budget Code; Interview the Department of Reporting and Statistics (MF).
C	(iii) Statements are presented in consistent format over time with some disclosure of accounting standards.	<i>Justification:</i> The report on the Republican budget execution for 2006 was presented in 2007 in a consistent format defined by the regulating documents that are issued in 2004, but differ quite considerably from the IPSAS standards. <i>Source of information:</i> Rules of budget accounting and Rules of compiling and presenting reports on state, consolidated, regional, Republican and local budgets; Interview with the Department of Reporting and Statistics (MF).

G. External scrutiny and audit

3.161 This set of indicators considers the external scrutiny of the budget and external audit. A summary of the scores are set out in the table below.

Table 3.50 C(iv) External Scrutiny and Audit

C(iv) External Scrutiny and Audit				
Performance Indicator		Score	Dimensions	Scoring method
PI-26	Scope, nature and follow-up of external audit	C+	(i) C (ii) B (iii) B	M1
PI-27	Legislative scrutiny of the annual budget law	C+	(i) C (ii) C (iii) A (iv) A	M1
PI-28	Legislative scrutiny of external audit reports	C+	(i) A (ii) C (iii) B	M1

(i) PI-26 Scope, nature and follow-up of external audit

3.162 The Supreme Audit Institution is the Accounts Committee which has been established in 1995. The Accounts Committee is member of INTOSAI since 2000. The framework for external audit is set out in different laws and regulations. The Constitution provides rules on the appointment of the members of the AC.

3.163 The Budget Code formulates the role and responsibilities of the AC with respect to external control of Republican and emergency budget execution, development of state financial control standards, reporting by the AC (including providing of an opinion on the annual accounts).

3.164 Furthermore, the Regulations of the Accounts Committee (approved by President's Decree) defines the status, functions and organisation of the Accounts Committee, whereby the Accounts Committee's functions include: (i) control over legal compliance, (ii) execution of President's assignments, (iii) control over the completeness and timeliness of the Republican budget revenues, (iv) control over the targeted and efficient use of the Republican budget expenditures, guaranteed Government borrowings, funds for the redemption of Government obligations, tied grants, public assets and budget investments and inter alia the assessment of efficiency and effectiveness of Republican budget programs and sector-wide programmes.

3.165 These legal and regulatory documents do not contain provisions on the financial independence of the Accounts Committee, on the audit of year-end consolidated financial statements with respect to the Republican budget and of the Republican government bodies, and on the audit of National Fund's statements. The latter are audited by an outsourced external auditor in accordance with the international auditing standards.

3.166 The detailed regulation of the Accounts Committee's activities is presented in three documents. The "Standards of state financial control"⁸³ has enclosed Rules of ethics which are quite close to the Code of ethics and auditing standards of INTOSAI. The "Rules of external control implementation"⁸⁴ defines the types of control, the scope of control⁸⁵, control principles⁸⁶, and various procedures.⁸⁷ Finally, the "Methodical recommendations on efficiency control" issued by the Accounts Committee in 2004 addresses performance auditing.

3.167 The AC has around 60 employees, including 40 inspectors, working in four departments (i.e. expenditures and assets, revenues, consolidation and analysis, administration and law). Although the AC does not prepare the opinions on the government bodies' year-end financial statements, it receives the monthly reports on the execution of budget programmes and on accounts receivable and payable

⁸³ Approved by the resolution of 7.10.2004 No 28

⁸⁴ Approved by the Accounts Committee resolution of 8.09.2006 No 57

⁸⁵ I.e. comprehensive, thematic, encounter control

⁸⁶ I.e. independence, objectivity, reliability, transparency, competence, openness, compliance with professional ethics

⁸⁷ Regarding control activities (planning, realisation, preparation of the opinion, implementation of decisions taken, involvement of external specialists and experts, ordering officials to be accountable, submission of control findings to law enforcing bodies, fulfillment of the Accounts Committee's resolutions by the government officials, keeping records and reporting, etc.).

with respect to Republican budget. It also receives the consolidated monthly report from the MF on the execution of Republican budget.

3.168 The focus on systemic issues is realised via performance audits (four to five per year, as compared to more than 30 financial audits per year). The AC considers that the procedure of officials' responses to AC findings is put into practice carefully and includes monitoring of implementation of systematic measures proposed in AC's recommendations.

3.169 The Accounts Committee has been the initiator of the introduction of internal control units in government bodies (see indicator PI-21). It invites the inspectors (Internal Auditors) to seminars and conferences and sends them the periodic Accounts Committee's bulletin. The CFCP submits the annual plan of control activities to the AC and the AC has the right to inquire about the CFCP reports. It is planned to make the transmission of these reports to the AC obligatory.

3.170 The AC's opinion is that the internal control units are just in the initial stage of development with respect to system audits and compliance with International Standards on Auditing. Furthermore the AC's standpoint is that the CFCP's activities are very close to its own, and that there is no clear distinction between internal and external audit, which is not in line with the international practice.

Table 3.51: PI-26 Scope, nature and follow-up of external audit

PI-26 Scope, nature and follow-up of external audit		
Score	Minimum requirements	Justification, comments and cardinal data
C	(i) Central government entities representing at least 50% of total expenditures are audited annually. Audits predominantly comprise transaction level testing, but reports identify significant issues.	<i>Justification:</i> In 2007 the scope of external audit did not include the year-end financial statements with respect to the Republican budget and of the Republican government bodies. The government external audit system was organised not fully in line with the international standards (i.e. the principle of the external audit's financial independence was not fixed by law, and a clear distinction between internal and external audit (CFCP subordinated to the MF and AC subordinated to the President) is not (yet) in place. At the same time the external audit is based on the proper national standards and the performance audit continues to develop. <i>Source of information:</i> Legal documents (see above); Interview with representative of the Accounts Committee
B	(ii) Audit reports are submitted to the legislature within 8 months of the end of the period covered and in the case of financial statements from their receipt by the audit office.	<i>Justification:</i> The audit report on the 2007 Republican budget execution was submitted by the Accounts Committee to the Parliament at the end of May 2008, as required by article 138 of the Budget Code (i.e. 5 months after the end of the reporting period). <i>Comment:</i> At the same time there is no practice of auditing the year-end financial statements (balance sheet) with respect to the Republican budget and of Republican government bodies. <i>Source of information:</i> Legal documents (see above);

PI-26 Scope, nature and follow-up of external audit		
Score	Minimum requirements	Justification, comments and cardinal data
		Interview with AC.
B	(iii) A formal response is made in a timely manner, but there is little evidence of systematic follow up.	<p><i>Justification:</i> In 2007 the formal procedure of auditees' response was stipulated in the regulating documents. Implementation of this procedure was observed in most cases. However the focus on systemic issues as a whole and the systematic follow up in particular were not highly developed yet.</p> <p><i>Source of information:</i> Legal documents (see above); Interview AC.</p>

(ii) PI-27 Legislative scrutiny of the annual budget law

3.171 The framework for Parliamentary procedures with respect to review of the draft budget is set out in the constitutional law “On the Parliament of the Republic of Kazakhstan and on the status of its deputies”⁸⁸, in the “regulation of the Parliament of the Republic of Kazakhstan”⁸⁹, in the “regulation of Mazhilis and Senate”⁹⁰, and in the Budget Code⁹¹.

3.172 The draft budget law is defined not later than 1 August and is submitted to the Government not later than 15 August. The Parliament receives the draft budget law from the Government not later than 1 September and the budget for the following year should be approved by the Parliament not later than 1 December.

3.173 Before submission of the draft budget to the Parliament, the budget is considered by the Republican Budget Commission (RBC). This Commission consists of 18 members (Mazhilis (2), Senate (2), high ranking officials from the government, Presidents office and National Bank (14)). The representatives of the parliament in the RBC (i.e. the chairmen of the financial & budget committees) brief the members of the financial committees about progress in the draft budget preparation. The Parliament does not have a practice of conducting parliamentary hearings on the draft budget although the law facilitates such hearings.

3.174 The draft budget law package submitted to parliament includes (i) fiscal policies and fiscal aggregates, and (ii) detailed estimates of revenues (broken down by categories, classes and sub-classes) and expenditures (with a break-down by functional groups, administrators of budget programmes and budget programmes).

3.175 All transfers from and to the National Fund were channelled through the Republican budget. As a consequence the Parliament has scrutinized these transfers when scrutinizing the execution of the Republican Budget.

3.176 The budget is adopted in separate sessions of Mazhilis and the Senate. All standing committees⁹² in both chambers submit their opinions on the draft budget. Standing Committees have their apparatus for assistance. Discussions in the Parliament may result in changes of the draft budget. The Parliamentary procedures in 2006 and 2007 with respect to the budget for 2007 respectively 2008 has been as follows:

⁸⁸ of 16.10.1995 No 2529

⁸⁹ Approved by the Resolution of the Parliament of 20.05.1996

⁹⁰ Approved by the chambers’ resolutions of 8.02.1996

⁹¹ Section 4, articles 76, 79, 82).

⁹² There are seven standing committees in Mazhilis (including the Committee on finance and budget with 15 members) and six standing committees in the Senate (including the Committee on finance and budget with 8 members).

Table 3.52: Parliamentary procedure for adoption of the 2007 Republican budget

Date	Stage in the procedure
24.08.2006	Draft budget for 2007 is approved by the Government
5.09.2006	Draft budget for 2007 is registered in Mazhilis
8.09.2006	Draft budget for 2007 is presented in Mazhilis
21.09.2006	Draft budget for 2007 is presented in Senate
September 2006	Discussion in working groups in Mazhilis and Senate
1.11.2006	Plenary session of Mazhilis
2.11.2006	Plenary session of Senate
7.11.2006	Joint session of Mazhilis and Senate, 1 st reading
13.11.2006	Joint session of Mazhilis and Senate, 2 nd reading
8.12.2006	President's signature
12.12.2006	Publication of the law on budget-2007 in the official newspapers, e.g. in "Kazakhstanskaya pravda" (http://www.kazpravda.kz/pdf/dec06/121206law.pdf)

Table 3.53: Parliamentary procedure for adoption of the 2008 Republican budget

Date	Stage in the procedure
29.08.2007	Submission of the draft budget to the Parliament approved by the Resolution of the Government N 756
2.09.2007	Draft budget with enclosed budget documentation is registered in the Apparatus of Mazhilis
17.09.2007	Draft budget for 2008 is presented in Mazhilis
21.09.2007	Sessions of the Mazhilis' working group have started
10.10.2007	Extended session of the main parliamentary party "Nur-Otan"
17.10.2007	Plenary session of Mazhilis which approved the draft budget for 2008 ⁹³
Until 1.11.2007	Sessions of the Senate's working group
8.11.2007	Plenary session of Senate which approved the draft budget with some amendments ⁹⁴
14.11.2007	Plenary session of Mazhilis which approved the amendments made by Senate
6.12.2007	President's signature
8.12.2007	Publication of the law on Republican budget for 2008 in the official newspapers, e.g. in "Kazakhstanskaya pravda", (www.kazpravda.kz/pdf/dec07/081207law.pdf)

⁹³ There was no change of main fiscal aggregates, though some changes with respect to expenditure reallocation were made.

⁹⁴ The Republican budget deficit was increased from 1.3% to 1.4% of GDP and some additional expenditure reallocation was made.

3.177 There are two types of in-year budget changes: ‘revisions’ and ‘corrections’. Revisions require Parliamentary approval and corrections can be implemented by the government without approval of the Parliament. The rules of in-year budget corrections without ex-ante approval by the legislature are clear and well defined in the Budget Code⁹⁵.

⁹⁵ Budget Code section 5, article 117, clauses 1 – 3

Table 3.54: PI-27 Legislative scrutiny of the annual budget law

PI-27 Legislative scrutiny of the annual budget law		
Score	Minimum requirements	Justification, comments and cardinal data
C	(i) The legislature’s review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized.	<i>Justification:</i> The Parliamentary review is based on the fiscal policies and aggregates which are developed predominantly by the Government and there is little scope for timely revision of detailed estimates in case that Parliament would significantly adjust the aggregates. There was no exception from these principles in 2007. <i>Source of information:</i> Legal documents, website of the Parliament ⁹⁶ , website of legal information system “Jurist” ⁹⁷ ; Interview the Senate’s and Mazhilis’ Committees on finance and budget.
C	(ii) Some procedures exist for the legislature’s budget review, but they are not comprehensive.	<i>Justification:</i> In 2007 the basic procedures for legislative scrutiny were established and fulfilled. At the same time important procedures were missing (e.g. the parliamentary hearings, the participation of highly qualified independent experts in the draft budget’s discussions) <i>Source of information:</i> Legal documents, website of the Parliament, website of legal information system “Jurist”; Interview the Senate’s and Mazhilis’ Committees on finance and budget.
A	(iii) The legislature has at least two months to review the budget proposals.	<i>Justification:</i> In 2006 and 2007 the period during which the Parliament considered the draft budget for 2008 comprised 2.5 months, in full accordance with the requirement of the Budget Code. <i>Source of information:</i> Legal documents, website of the Parliament, website of legal information system “Jurist”
A	(iv) Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.	<i>Justification:</i> In 2007 there were clear rules for virements (in-year budget corrections) and the Treasury system of the Republican budget execution ensured that the compliance with these rules was strict enough. <i>Source of information:</i> Budget Code; Interview with Treasury Committee.

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www.parlam.kz

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www.zakon.kz

(iii) PI-28 Legislative scrutiny of external audit reports

3.178 The framework for Parliamentary procedures with respect to scrutiny of the AC’s reports is set out in the Budget Code⁹⁸ and in the “Regulations of the Accounts Committee”. The AC prepares its opinion on the annual report of Republican budget execution but not for year-end consolidated financial statements of Republican bodies. According to the legislation, the Parliament receives the Government’s annual report on Republican budget execution not later than 1 May and the opinion of the AC not later than 1 June.

3.179 The Parliament’s chambers consider and approve the AC’s opinion together with the governments’ annual report on the Republican budget execution. Parliamentary hearings on the external auditors opinion is not (yet) implemented but the Committees on finance and budget scrutinize the opinion and annual report on budget execution and subsequently discuss it in plenary sessions of Mazhilis and Senate. Finally the annual report is approved during a joint plenary session of the two chambers. After approval, the opinion is published via the mass media and internet.

3.180 The Parliamentary procedure for scrutiny of the 2006 annual budget execution report and auditors opinion in 2007 is summarised in the table below.

Table 3.55: Parliamentary Procedure for scrutiny of the external audit report

Date	Stage in the procedure
24.05.2007	Presentation of the report and opinion in Mazhilis
13.06.2007	Discussion of the report and opinion on the plenary session of Mazhilis
15.06.2007	Discussion of the report and opinion on the plenary session of Senate
19.06.2007	Approval of the report and opinion on the joint plenary session of Mazhilis and Senate

3.181 The following table provides an overview of the dates for the period 2003-2007

Table 3.56: Key dates in the parliamentary Procedure for scrutiny of the external audit report 2003-2007

	Mazhilis (lower chamber)		Senate (upper chamber)		Joint sessions of both chambers	
1.	2003	9 June 2004	2003	15 June 2004	2003	17 June 2004
2.	2004	15 June 2005	2004	23 June 2005	2004	27 June 2005
3.	2005	7 June 2006	2005	16 June 2006	2005	20 June 2006
4.	2006	13 June 2007	2006	15 June 2007	2006	19 June 2007
5.	2007	11 June 2008	2007	23 June 2008	2007	24 June 2008

⁹⁸ Budget Code section 6, articles 123 – 124; section 7, article 138

3.182 During the consideration of the report and opinion on the Chambers' sessions, government representatives and the Chairman of the Accounts Committee report to the parliament. In addition some Administrators of Republican budget programs may be summoned to report on the realisation of their programmes. When approving the annual Government's report on Republican budget execution, the Parliament may take a decision that the Government should take relevant measures following the results of Republican budget execution. This happened in 2007.

Table 3.57: PI-28 Legislative scrutiny of external audit reports

PI-28 Legislative scrutiny of external audit reports		
Score	Minimum requirements	Justification, comments and cardinal data
A	(i) Scrutiny of audit reports is usually completed by the legislature within 3 months from receipt of the reports (within the last three years).	<i>Justification:</i> In 2005/07 the Parliament completed the consideration of the Government's report of the Republican budget execution together with the external audit opinion within the period May-June. <i>Source of information:</i> Website of the AC (www.esep.kz), Interviews with AC, Senate and Mazhilis.
C	(ii) In-depth hearings on key findings take place occasionally, cover only a few audited entities or may include hearings with ministry of finance officials only.	<i>Justification:</i> In 2007 there was no exception from the usual procedure which is characterised by (1) the absence of proper parliamentary hearings, (2) the consideration of the report and opinion by the committees' and chambers' sessions, (3) only some practice of central government bodies officials' summon. <i>Source of information:</i> Interviews with the Senate, Mazhilis and AC.
B	(iii) Actions are recommended to the executive, some of which are implemented, according to existing evidence.	<i>Justification:</i> According to the information provided by the representatives of the Senate's Committee on finance and budget, during the 2007 parliamentary consideration a requested measure was implemented by the Government and reported to the Parliament later on. In 2006 a similar decision was taken by the Parliament. <i>Source of information:</i> Interviews with the Senate and of Mazhilis.

H. Donor Practices

3.183 Financial aid from international organisations and other donors constitute only a very limited part of the Republican revenues and amounts to 0.07% of the total revenues in 2007. Although several

donors are active in Kazakhstan, the monetary value of their activities is limited and the focus is mainly on providing technical assistance.

3.184 Financial aid is delivered as a tied grant or as a untied grant. Since 2004 tied grants are incorporated in the budget following recommendations of the World Bank. Non-related grants are not part of the budget but are registered by the Ministry of Economy and Budget Planning. The largest donor is the World Bank.

3.185 In the revenues of the Republican budget, financial aid is presented under code 2.5 'Non-tax revenue – Financial Aid'. In the expenditures, grants are visible under subprogram 18. As a consequence, it possible to track for which programmes aid is spent. The table below provides details about reported financial aid to Kazakhstan during the last three years.

Table 3.58: Reported Financial Aid to Kazakhstan

[billion KZT]	2005	2006	2007
Budgeted financial aid			
Budgeted Revenues from financial Aid	1.7	1.7	1.3
Budgeted Financial Aid Revenues as percentage of total revenues	0.15%	0.12%	0.07%
Disbursed development aid⁹⁹			
Loans	16.9	13.9	11.8
Tied grants	0.8	1.5	1.1
Untied grants	1.7	4.4	5.2

Source: MEBP upon request of PEFA team

3.186 Because financial aid is not material in terms of monetary value – compared to total revenues and expenditure, the indicators on donor practice are not further assessed.

Table 3.59: Summarised conclusions of Donor Practice Performance Indicators

Indicator on Donor Practice	Conclusion
D-1 Predictability of Direct Budget Support	Not Applicable
D-2 Financial Information Provided by Donors for budgeting and reporting on project and program aid	The department of Investment Policy in the MEBP collects all relevant information about Donor funded projects.
D-3 Proportion of Aid that is managed by use of national procedures	All aid that is channelled through the Republican budget is managed by use of national procedures.

⁹⁹ Source: Data of the Ministry of Economy and Budget Planning. See also PI-7.

4. Government Reform Process

A. Description of recent and ongoing PFM reforms

4.1 The recent modernisation of the budgetary sector in Kazakhstan has started since 1996 with passing of the Law “On the budget system”. The policy was to restrict government spending and to ensure macroeconomic stabilisation.

4.2 Even earlier, in 1995, Kazakhstan started tax reform with a Presidential Decree on Taxes. To stimulate the economy, a number of taxes has been substantially decreased.

4.3 The task to reform the public sector was clearly outlined in 1997 in the strategy “Kazakhstan in course for 2030”.

4.4 Budgetary reform has passed through different stages. In 2000-2001 programme budgeting was introduced. Programmes should be based on strategic priorities and strategic goals set by the government. Since 2002 the budget is divided into two parts: current expenditure and capital expenditure. Also in 2002 a Ministry of Economy and Budget Planning (MEBP) was established. MEBP became a key player in policy reform and in coordinating economic and budgetary policies. In order to improve budget transparency, the Republican Budget Commission was established.

4.5 Introduction of the Budget Code 2004 was an important milestone of budgetary reform in Kazakhstan which consolidated and streamlined the novelties of 2001-2004. The Budget code stipulated budget formulation on the basis of programmes. All ministries were given the status of programme administrators. The Budget Code established medium-term budget planning, set up basic rules and procedures of budget execution, and stressed the issue of financial control. The Budget Code introduced also basic regulations for the National Fund.

4.6 In 2004 the government developed a medium-term fiscal policy for 2005-2008 which was taken into account during the formulation of the budget for 2005.

4.7 In December 2007 the Government approved “The Concept on introduction results-oriented budgeting”. Starting with 2007-2008 the line ministries and agencies started to integrate strategic planning with budget programming and introduced performance-oriented budgeting. The reform started in 2007 first in three pilots: MEBP, MF and in one of the oblasts.

4.8 In 2008 all line ministries and agencies have started to prepare their strategic plans. These strategic plans have to define mission, vision, goals and tasks of the Ministry in the related sector, sets our key performance indicators (both outputs and outcomes). Ministries will present their strategic plans with their budget submissions to the MEBP. As a part of the budget documentation the strategic plans will show the cost of all programmes for a three-year period. These programmes will be linked to the sector-wide goals and objectives, including those goals and objectives stated in existing strategies, Government programmes of development and in the Strategy 2030.

B. Institutional factors supporting reform planning and implementation

4.9 An important institutional factor supporting budget reform was the establishment of the MEBP which took over the budget formulation functions previously performed by Ministry of Finance. This made it possible to avoid competition and confrontation of major planning and financial bodies and served as a basis for strategic integration of key socio-economic and budgetary policies.

4.10 The reform is very much driven by the President of Kazakhstan. Strategic documents and annual presidential addresses establish the objectives of the reform in political and economic areas. In the Address of the President for 2007 one of the tasks is “the modernisation of the political system in accordance with the logic of a new stage of our development”.

4.11 The Address stipulates a start for a new stage of further systematic democratic reforms, i.e.:

- broadening of authority of the Parliament;
- actions aimed at increasing the role of political parties;
- improvement of the judicial system, starting with introducing jury trials;
- development of local representative bodies, i.e. more powers will be given to maslikhats (local assemblies).

4.12 The Address stresses the task to accelerate the realisation of administrative reforms. The aim is to build a qualitatively new ‘model’ of government management based on the principles of corporate management, results-orientation, transparency and accountability to the society.

Annex A: Terms of Reference

Terms of Reference for the Task: Consultant Team for the Preparation of a Public Expenditure and Financial Accountability Review (PEFA) for the Republic of Kazakhstan

1. Background and objectives

The government of the Republic of Kazakhstan is currently engaged in budgetary reform, with the primary goal of strengthening the strategic and results-oriented nature of public expenditures. For this purpose, the government has signed a Memorandum of Understanding with the World Bank on the preparation of a comprehensive Public Financial Management Review (PFMR).

One of the central tasks of the PFMR is the preparation of a Public Expenditure and Financial Accountability Review (PEFA) according to the guidelines of the PEFA World Bank Secretariat of June 2005. A PEFA review will serve to expose key strengths and weaknesses in public financial management in the country, and will benchmark Kazakhstan against other countries and itself in key areas. This benchmarking should play an important role in both directing attention in the current budgetary reform process to areas of particular weakness, and in helping Kazakhstan measure progress in budgetary reform in the future.

2. Nature of the Task and Scope of Services

The firm will work during May and June 2008 on the preparation of a PEFA for Kazakhstan based on the 2005 Performance Measurement Framework of the World Bank Secretariat. This preparation will necessitate at least two missions to Kazakhstan for two week periods, extensive interviews with stakeholders in the country, and good familiarity with the legal and institutional budgetary framework.

3. Reports and Time Schedule

The group of experts will take an initial mission to Astana during the month of May to begin work, and continue this work through the month of June.

A draft report will be submitted by June 25. Following subsequent discussions and interactions within the Bank, the PEFA team, and the Kazakhstan government, the draft PEFA may be revised and finalized in July 2008.

4. Data, Local Services, Personnel, and Facilities to be provided by the Client

The World Bank and Kazakhstan government will provide work space, data, and other necessary materials for work in Astana.

5. Necessary Qualification of Consultants

- Strong qualifications in economics and public finance
- Experience in analytical work and budgetary reforms, preferably in a country with similar institutional attributes to Kazakhstan
- Experience in carrying out PEFA reviews
- Fluent knowledge of Russian highly desirable.

Annex B: List of references

<p>“Accounting guide for state institutions” (approved by Order of the Treasury Department of the MoF January 27, 1998 No. 30)</p>	<p>Инструкция по бухгалтерскому учету в государственных учреждениях (Приказ Департамента казначейства МФ РК от 27 января 1998 г. № 30)</p>
<p>“Annual report 2007 of the State Social Insurance Fund” (www.gfss.kz; Press-releases of the Accumulative Pension Fund, GNPf on results of activities in 2006 and 2007 www.gpnf.kz)</p>	<p>Ежегодный отчет Государственного социального страхового фонда (www.gfss.kz); пресс-релизы Накопительного пенсионного фонда (ГНПФ) о результатах деятельности 2006-2007 г.г. (www.gpnf.kz)</p>
<p>“Annual report 2007 of the State Social Insurance Fund” (www.gfss.kz)</p>	<p>Ежегодный отчет Государственного фонда социального страхования за 2007 г.</p>
<p>“Code on administrative violations” (Code of the Republic of Kazakhstan of Administrative violations 2001, with amendments in 2001-2007)</p>	<p>Кодекс республики Казахстан об административных правонарушениях (2001, с изменениями 2001-2007)</p>
<p>“Constitutional law on the Parliament of the Republic of Kazakhstan and the status of its deputies” of October 16, 1995 No. 2529</p>	<p>Конституционный закон Республики Казахстан от 16 октября 1995 года № 2529 «О Парламенте Республики Казахстан и статусе его депутатов»</p>
<p>“Country Economic Memorandum” (World Bank Report No. 30852 – KZ. Republic of Kazakhstan, June 2005)</p>	<p>Отчет № 30852 –КЗ, Республика Казахстан, Экономический меморандум страны, июнь 2005 г.</p>
<p>“Decree on amendments to Government regulation of December 14 2006, No.1204” (Government Decree of the RoK of October 30, 2007, No.1010)</p>	<p>О внесении изменений в постановление правительства РК от 14 декабря 2006 г. №1204 (Постановление правительства РК от 30 октября 2007 г. №1010)</p>
<p>“Decree on the approval of Accounting Guide for the execution of the Republican budget in Treasury Department of the MoF” (Decree by the Minister of Finance of the Republic of Kazakhstan of January 27, 1998 No.31 registered with the MJ of the RoK in March 19, 1998, No.487)</p>	<p>Об утверждении инструкции по бухгалтерскому учету исполнения республиканского бюджета в Департаменте Казначейства МФ РК. (Приказ министра финансов РК от 27 января 1998 г. №31 зарегистрирован в МЮ РК 19031998 №487)</p>
<p>“Decree on the approval of regulation on the Republican Budget Commission” (President’s Decree of the RoK of August 24, 2004, No.1426. Collection of President’s and government’s acts of the RoK, 2004, No.30, art. 400, “Kazakhstanskaya Pravda” of August 28, 2004, No.193-194)</p>	<p>Об утверждении положения о республиканской бюджетной комиссии (Указ президента РК от 24 августа 2004 г. № 1426. Собрание актов президента и правительства РК 2004 г. № 30 ст. 400 «Казахстанская правда» от 28 августа 2004 г. № 193-194)</p>

<p>“Decree on the concept of managing state and gross external debt” (President’s Decree of the RoK. December 29, 2006, No. 234. SAGA of the RoK, 2006, No.49, art.510)</p>	<p>О концепции по управлению государственным и валовым внешним долгом. (Указ президента РК от 29 декабря 2006 г. № 234 . САПП РК 2006 г. № 49 ст. 510)</p>
<p>“Government regulation on approval of the number of employees per statutory unit: ministries and other central executive units including their regional divisions and subordinated statutory subdivisions” (Government regulation of the RoK of April 15, 2008, No. 339)</p>	<p>Об утверждении лимитов штатной численности министерств и иных центральных исполнительных органов с учетом численности их территориальных органов и подведомственных им государственных учреждений. (Постановление Правительства РК от 15 апреля 2008 г. №339)</p>
<p>“Government report about Budget Execution for 2006” April 26, 2007 No. 20-20/1800</p>	<p>Отчет Правительства РК об исполнении республиканского бюджета за 2006 год. От 25 апреля 2007 года №20-20/1800</p>
<p>“Kazakhstan in course for 2030 – Prosperity, security and ever growing welfare of all the Kazakhstanis”</p>	
<p>“Kazakhstan Review of Public Expenditures and Investments” (in education and healthcare systems) EW-P088990-ESW-BB</p>	<p>Казахстан. Обзор государственных расходов и инвестиций (в системе образования и здравоохранения) EW-P088990-ESW-BB</p>
<p>“Law (initial) on the Republican budget 2005” (Law of the RoK of December 2, 2004, No.3. Parliament reports of the RoK, No.22, art. 132, out of print on January 24, 2005. “Kazhkhstanskaya Pravda” of December 9, 2004, No.281)</p>	<p><i>(первоначальный)</i> О республиканском бюджете на 2005 год (Закон Республики Казахстан от 2 декабря 2004г. №3. Ведомости Парламента РК №22 ст.132, вышли из печати 24.01.05 «Казахстанская правда» от 9 декабря 2004 г. №281)</p>
<p>“Law (revised) on the Republican budget 2005” (Law of the RoK of January 24, 2005, No.22, art. 132. “Kazhkhstanskaya Pravda” of December 9, 2004, No.281)</p>	<p><i>(с уточнениями)</i> О республиканском бюджете на 2005 год (Закон РК 2004г. №22 ст.132 (24.01.05) «Казахстанская правда» от 9 декабря 2004 г. №281)</p>
<p>“Law about the size of official transfers of general character between Republican and oblast budgets, budgets of cities at Republican level, or capital for 2005-2007” (Law of the RoK of November 9, 2004, No. 602. Parliament reports of the RoK 2004, No.21, art. 123. “Kazhkhstanskaya Pravda” of November, 16, 2004, No.261-262)</p>	<p>Об объемах официальных трансфертов общего характера между республиканским и областным бюджетом, бюджетом города республиканского значения, столицы на 2005-2007 гг. (Закон РК от 9 ноября 2004 г. № 602. Ведомости парламента РК 2004 г. №21 ст. 123 «Казахстанская правда» от 16 ноября 2004 г. №261-262)</p>
<p>“Law on accounting and financial statements” (Law of the RoK of February 28, 2007, No. 234. Parliament reports of the RoK 2007, No.4, art. 32, “Kazhkhstanskaya Pravda” March 13, 2007, No.38)</p>	<p>О бухгалтерском учете и финансовой отчетности (Закон РК от 28 февраля 2007 г. № 234. Ведомости парламента РК от 2007 г. № 4 ст. 32. «Казахстанская правда» от 13 марта 2007 г. №38)</p>

<p>“Law on amendments and additions to the law of the on Republican Budget for 2005” (Law of RoK of 16 May 2005 No. 49. Parliament Reports of RoK 2005. , No.9, art. 27 (вышедшие из печати: 27.06.2005г.); «Kazpravda» of 18 May 2005 No.126)</p>	<p>О внесении изменений и дополнений в Закон Республики Казахстан «О республиканском бюджете на 2005 год». Закон Республики Казахстан от 16 мая 2005 года №49. Ведомости Парламента Республики Казахстан б 2005 г. , №9, ст. 27 (вышедшие из печати: 27.06.2005г.); «Казахстанская правда » от 18 мая 2005 года №126)</p>
<p>“Law on amendments to the law on the Republican budget 2007” (Law of the RoK of October 22, 2007, No.1. “Kazakhstanskaya Pravda” of October 25, 2007, No.167. Parliament reports of the RoK, 2007 of October, No.22 art. 169)</p>	<p>О внесении изменений и дополнений в закон РК «О республиканском бюджете на 2007 год» (Закон РК от 22 октября 2007 г. №1. «Казахстанская правда» от 25 октября 2007 г. №167 . Ведомости Парламента РК 2007 г. октябрь, №22 ст.169)</p>
<p>“Law on amendments to the law on the Republican budget 2007” (Law of the RoK of July 5, 2007, No.273. “Kazakhstanskaya Pravda” of July 10, 2007, No.104, Parliament reports of the RoK, 2007 of July, No.14, art.103)</p>	<p>О внесении изменений и дополнений в закон РК «О республиканском бюджете на 2007 год» (Закон РК от 5 июля 2007 г. №273. «Казахстанская правда» от 10 июля 2007г. №104 , Ведомости Парламента РК 2007 г. Июль, №14 ст.103)</p>
<p>“Law on amendments to the Law on the Republican budget for 2006” (Law of the RoK. July 5, 2006, No.159. Parliament reports of the RoK, 2006, No.12, article 80. “Kazakhstanskaya Pravda” of July 7, 2006, No.168-169)</p>	<p>О внесении изменений и дополнений в закон РК «О республиканском бюджете на 2006 год». (Закон РК от 5 июля 2006 г. №159. Ведомости парламента РК 2006 г. №12 ст.80 . «Казахстанская правда" от 7 июля 2006 г. №168-169»)</p>
<p>“Law on Local Governments” (adopted in January 23, 2001)</p>	<p>Закон «О местном государственном управлении» от 23.01.2001</p>
<p>“Law on the government monitoring of the property in the strategic industries” (The Republican law of 4.10.2003 N 490-2)</p>	<p>О мониторинге правительства РК имущественной собственности в стратегических индустриях (Закон РК 4.10.2003 № 490-2)</p>
<p>“Law on the Republican budget 2006” (Law of the RoK of November 22, 2005, No. 88. Parliament reports of the RoK, 2005, No.19 -20 art.80. “Kazakhstanskaya Pravda” of November 26, 2005, No. 323-324)</p>	<p>«О республиканском бюджете на 2006 год» (Закон РКот 22 ноября, 2005 г. №. 88. Ведомости парламента РК 2005 г. № 19-20 ст.80. «Казахстанская правда » от 26 ноября 2005 г. №323-324)</p>
<p>“Law on the Republican budget 2007” (Law of the Republic of Kazakhstan of December 8, 2006, No.194. Parliament reports of the RoK 2006 No.21-22 art. 133 “Kazakhstanskaya Pravda” of December 12, 2006, No.264)</p>	<p>О республиканском бюджете на 2007 год (Закон РК от 8 декабря 2006 г. №194. Ведомости Парламента РК 2006 г. №21-22 ст. 133 «Казахстанская правда» от 12 декабря 2006 г. №264)</p>
<p>“Law on the Republican budget 2007” (Law of the RoK of December 8, 2006, No.194. “Kazakhstanskaya Pravda” of December, 12, 2006, No.264. Parliament reports of the RoK of July 2006, No.21-22, art. 133)</p>	<p>О республиканском бюджете на 2007 год (Закон РК от 8 декабря 2006 г. №194. «Казахстанская правда» от 12 декабря 2006 г. №264 . Ведомости Парламента РК 2006 г. Июль. №21-22 ст. 133)</p>

<p>“Law on the Republican budget 2007” (Law of the RoK of December 8, 2006, No.194. Parliament reports of the RoK, 2006, No.21-22 art. 133 “Kazakhstanskaya Pravda” of December 26, 2006, No.264 (25235))</p>	<p>О республиканском бюджете на 2007 год. (Закон РК от 8 декабря 2006 г. № 194. Ведомости парламента РК, 2006 , № 21-22, ст. 133; «Казахстанская правда» от 12 декабря 2006 г. № 264 (25235)).</p>
<p>“Methodical recommendations on implementation of efficiency control” (adopted by the Accounts Committee in 2004)</p>	<p>Методические рекомендации по осуществлению контроля эффективности, приняты Счетным комитетом по контролю за исполнением республиканского бюджета в 2004</p>
<p>“Order on approval of methodical recommendations for conducting tax audits” (Order by the Chairman of Tax Committee of December 25, 2006 No. 654)</p>	<p>Приказ Председателя Налогового Комитета МоФ РК от 25.12.2006 №654 «Об утверждении Методических рекомендаций по проведению налоговых проверок налогоплательщиков»</p>
<p>“Order on approval of rules for accounting and presentation of accounting reports by statutory bodies” (Order by the Minister of Finance of the RK of December 1, 2004, No.424. The bulletin of normative legislative acts. August 2005, No.17, art.135 –September 2005, No.18, art.144)</p>	<p>Об утверждении правил составления и предоставления отчетности государственными учреждениями. (Приказ министра финансов РК от 1 декабря 2004 г. № 424, Бюллетень нормативных правовых актов. Август 2005 г. №17 ст. 135 –сентябрь 2005 г. №18 ст. 144)</p>
<p>“Order on approval of the rules for the preparation and submission of budget requests by administrators of budget programs” (Order by the minister of Economy and Budget planning of the RoK of April 30, 2003, №75, registered with the MoJ of the RoK of June 17, 2003, No.2364)</p>	<p>Об утверждении правил составления и предоставления бюджетной заявки администраторами бюджетных программ (Приказ министра экономики и бюджетного планирования РК от 30 апреля 2003 г . №75. Зарегистрирован в МЮ РК 17 июня 2003 г. №2364)</p>
<p>“Order on the approval of rules for composition and presentation of budget request by budget program administrators” (Order of the Minister of Economy and Budget planning of 30 April 2003 №75)</p>	<p>Приказ Министра экономики и бюджетного планирования Республики Казахстан от 30 апреля 2003 года №75 «Об утверждении Правил составления и представления бюджетной заявки администраторами бюджетных программ»</p>
<p>“PEFA Manual” (Public Expenditure and Financial Accountability, Public Financial Management Performance Measurement Framework, PEFA Secretariat World Bank, Washington DC USA, June 2005)</p>	
<p>“PowerPoint presentation in the Astana Akimat Treasury Committee <<Integrated Treasury Information System>>” (2008 Astana)</p>	<p>Презентация в Департаменте Казначейства Астаны «Комитет Казначейства МФ РК » «Интегрированная Информационная Система Казначейства» 2008 Астана</p>
<p>“Presentation speech on the draft Republican budget law for 2008 made by the Minister of Economy and Budget Planning” (on September 17, 2007 in Parliament)</p>	<p>Доклад министра экономики и бюджетного планирования на презентации в Парламенте проекта закона о республиканском бюджете на 2008 год, состоялся 17 сентября 2007 г.</p>

<p>“Presentation speech on the draft Republican budget law for 2008 made by the Minister of Economy and Budget Planning” (on 17.09.2007 in Parliament; The annual President’s message presented on 28.02.2007 in Parliament)</p>	<p>Статистический бюллетень МФ №1 2007; представление проекта закона о бюджете 2008 года министром экономики и бюджетного планирования 17.09.2007 в Парламенте; ежегодное послание президента представленное 28.02.2007 в Парламенте.</p>
<p>“Press-releases of the Accumulative Pension Fund GPNF on results of activities in 2006 and 2007” (www.gpnf.kz)</p>	<p>Пресс-релизы Накопительного пенсионного фонда ГНПФ о результатах деятельности в 2006 и 2007 годах</p>
<p>“Reforming intergovernmental fiscal relations” World Bank Report No 33709-KZ, Republic of Kazakhstan, 13 January 2006</p>	<p>Отчет № 33709, Реформирование межбюджетных отношений, 13 января 2006 г.</p>
<p>“Regulation (initial and amended) on approval of the uniform budget classification” (Government regulation of the RoK of December 24, 2004, No. 1362. SAGA of the RoK, 2004, No. 50, art. 648)</p>	<p><i>(первонач. и с последующ. изменениями)</i> Об утверждении единой бюджетной классификации Республики Казахстан. (Постановление правительства РК от 24 декабря 2004 г. №. 1362. САПП РК, 2004 г., №. 50, ст. 648)</p>
<p>“Regulation (initial) on implementation of Law on the Republican budget 2007” (Government regulation of the RoK of December, 14, 2006, No.1204)</p>	<p><i>(первоначальный)</i> О реализации закона РК «О республиканском бюджете на 2007 год». (Постановление правительства РК от 14 декабря 2006 г. № 1204)</p>
<p>“Regulation (revised, corrected) on implementation of Law on the Republican budget 2007” (Government regulation of the RoK of December 14, 2006, No.1204)</p>	<p><i>(с уточнениями, корректировками)</i> О реализации закона РК «О республиканском бюджете на 2007 год». (Постановление правительства РК от 14 декабря 2006 г. № 1204)</p>
<p>“Regulation of the Mazhilis” (approved by the chamber’s resolution of 8.02.1996)</p>	<p>Регламент Мажилиса Парламента РК (принят Мажилисом Парламента РК 8 февраля 1996 года)</p>
<p>“Regulation of the Parliament of the Republic of Kazakhstan” (approved by the Resolution of the Parliament of May 20, 1996)</p>	<p>Регламент Парламента РК, утвержден Постановлением Парламента РК от 20 мая 1996 года</p>
<p>“Regulation of the Senate” (approved by the chamber’s resolution of 8.02.1996)</p>	<p>Регламент Сената Парламента Республики Казахстан (принят Сенатом Парламента Республики Казахстан 8 февраля 1996 года)</p>
<p>“Regulation on amendments and additions to Government regulation of December 9, 2005 No.1228” (Government regulation of the RoK of July 11, 2006 No.656)</p>	<p>О внесении изменений и дополнений в постановление Правительства РК от 9 декабря 2005 г. №1228 (Постановление Правительства РК от 11 июля 2006 г. №656)</p>
<p>“Regulation on amendments and additions to Government regulation of December 14, 2006, No.1204” (Government regulation of the RoK of July 12, 2007, No.596)</p>	<p>О внесении изменений и дополнений в постановление правительства РК от 14 декабря 2006 г. №1204 (Постановление правительства РК от 12 июля 2007 г. № 596)</p>

<p>“Regulation on amendments to Government regulation of August 25, 2006, No.822 and December 14, 2006, No.1204 d.d. 10.12.2007” (Government regulation of the RoK of December 10, 2007, No.1210. SAGA of the RoK, 2007, No.46 art.556)</p>	<p>О внесении изменений в постановление правительства РК от 25 августа 2006 г. №822 и 14 декабря 2006 г. №1204. (Постановление правительства РК от 10 декабря 2007 г. №1210. САПП РК 2007 г. № 46 ст. 556)</p>
<p>“Regulation on amendments to Government regulation of August, 25, 2006, No.822 and December, 14, 2006, No.1204 d.d. 26.12.2007” (Government regulation of the RoK of December 26, 2007, No.1288. SAGA of the RoK, 2007, No.48, art. 590-592)</p>	<p>О внесении изменений в постановление правительства РК от 25 августа 2006 г. №822 и 14 декабря 2006 г. №1204. (Постановление правительства РК от 26 декабря 2007 г. № 1288. САПП РК 2007 г. № 48 ст. 590-592)</p>
<p>“Regulation on amendments to Government regulation of December 14, 2006, No.1204 and December 15, 2006, No.1220” (Government regulation of the RoK. November 15, 2007, No.1085)</p>	<p>О внесении изменений в постановление правительства от 14 декабря 2006 г. № 1204 и 15 декабря 2006 г. №1220 (Постановление правительства РК от 15 ноября 2007 г. №1085)</p>
<p>“Regulation on amendments to Government regulation of December 14, 2006, No.1204 and December 15, 2006 No.1220” (Government regulation of the RoK. November 13, 2007 No.1079)</p>	<p>О внесении изменений в постановление правительства от 14 декабря 2006 г. № 1204 и 15 декабря 2006 г. №1220 (Постановление правительства РК от 13 ноября 2007 г. №1079)</p>
<p>“Regulation on amendments to Government regulation of December 14, 2006, No.1204 and December 15, 2006, No.1220” (Government regulation of the RoK of. November 29, 2007, No.1150)</p>	<p>О внесении изменений в постановление правительства РК от 14 декабря 2006 г. №1204 и 15 декабря 2006 г. №1220. (Постановление правительства РК от 29 ноября 2007 г. №1150)</p>
<p>“Regulation on amendments to Government regulation of December 14, 2006, No.1204” (Government regulation of the RoK of April 26, 2007, No.332)</p>	<p>О внесении изменений в постановление правительства РК от 14 декабря 2006 г. №1204. (Постановление правительства РК от 26 апреля 2007 г. №332)</p>
<p>“Regulation on amendments to Government regulation of December 14, 2006, No.1204 and December 15, 2006, No.1220” (Government regulation of the RoK of November 26, 2007, No.1135)</p>	<p>О внесении изменений в постановление правительства РК от 14 декабря 2006 г. №1204 и 15 декабря 2006 г. №1220. (Постановление правительства РК от 26 ноября 2007 г. №1135)</p>
<p>“Regulation on amendments to Government regulation of December 14, 2006, No.1204” (Government regulation of the RoK of December 24, 2007, No.1274)</p>	<p>О внесении изменений в постановление правительства РК от 14 декабря 2006 г. №1204. (Постановление правительства РК от 24 декабря 2007 г. №1274)</p>
<p>“Regulation on amendments to Government regulation of December 14, 2006, No.1204 and December 15, 2006, No.1220” (Government regulation of the RoK of December 28, 2007, No.1312)</p>	<p>О внесении изменений в постановление правительства РК от 14 декабря 2006 г. №1204 и 15 декабря 2006 г. №1220 (Постановление правительства РК от 28 декабря 2007 г. №1312)</p>

<p>“Regulation on amendments to Government regulation of December 14, 2006, No.1204” (Government regulation of the RoK. December 21, 2007 No.1255)</p>	<p>О внесении изменений в постановление правительства РК от 14 декабря 2006 г. №1204 (Постановление правительства РК от 21 декабря 2007 г. №1255)</p>
<p>“Regulation on amendments to Government regulation of December 6, 2007, No.1195” (Government regulation of the RoK of December 26, 2007, No.1288. SAGA of the RoK, 2007, No.46, art 552)</p>	<p>О внесении изменений в постановление правительства РК от 6 декабря 2007 г №1195. (Постановление правительства РК от 26 декабря 2007 г. №1288. САПП РК 2007 г. №46 ст.552)</p>
<p>“Regulation on amendments to some decisions of the Government” (Government regulation of the RoK of December 26, 2007, Vol. 1291. SAGA of the RoK, 2007, No.48, art. 593)</p>	<p>О внесении изменений и дополнений в некоторые решения правительства РК. (Постановление правительства РК от 26 декабря 2007 г. Т.1291. САПП РК 2007 г. № 48 ст.593)</p>
<p>“Regulation on approval of the list of statutory bodies that are allowed to establish the internal control units” (Government regulation September 3, 2004 No. 931)</p>	<p>Постановление Правительства РК от 3 сентября 2004 г. № 931 «Об утверждении перечня государственных органов, которым разрешается создание служб внутреннего контроля»</p>
<p>“Regulation on implementation of the law on the Republican budget for 2006” (Government regulation of the RoK of December 9, 2005 No. 1228)</p>	<p>О реализации Закона Республики Казахстан «О республиканском бюджете на 2006 год » (Постановление Правительства РК от 9 декабря 2005 г. №1228)</p>
<p>“Regulation on implementation of the Law on the Republican budget 2007” (Government regulation of the RoK. December 14, 2006 No.1204)</p>	<p>О реализации закона РК «О республиканском бюджете на 2007 год» (Постановление правительства РК от 14 декабря 2006 г. №1204)</p>
<p>“Regulation on midterm fiscal policy for 2005-2007” (Government regulation of the RoK of August 31, 2004, No. 918. SAGA of the RoK 2004, No.32, art. 435)</p>	<p>О среднесрочной фискальной политике правительства РК на 2005-2007 гг. (Постановление правительства РК от 31 августа 2004 г. № 918. САПП РК 2004 г. № 32, ст. 435)</p>
<p>“Regulation on the draft Law on the Republican budget 2007” (Government regulation of the RoK of August, 25 2006, No.825)</p>	<p>О проекте закона РК «О республиканском бюджете на 2007 год» (Постановление правительства РК от 25 августа 2006 г. №825)</p>
<p>“Regulation on the draft law on the Republican budget for 2006” (Government regulation of the RoK of August 27, 2005, No.888)</p>	<p>О проекте закона РК «О республиканском бюджете на 2006 год». (Постановление правительства РК от 27 августа 2005 г. № 888)</p>
<p>“Regulations of the Accounts Committee” (approved by the President’s Decree as of 5.08.2002 N 917)</p>	<p>Положение о Счетном комитете по контролю за исполнением республиканского бюджета, утверждено Указом Президента Республики Казахстан от 5 августа 2002 года № 917</p>
<p>“Report on the implementation of 2006 consolidated budget of Republic of Kazakhstan” (MoF Statistical Bulletin No. 3 (111), March 2008)</p>	<p>Отчет об исполнении консолидированного бюджета 2006 года РК; статистический бюллетень №3 (111) март 2008 г.</p>

<p>“Republican Budget for 2008” (Appendix 1 to Government Regulation of RoK of 12 December 2007 No. 1223)</p>	<p>Республиканский бюджет на 2008 год. Приложение 1 к постановлению Правительства Республики Казахстан от 12 декабря 2007 года №1223</p>
<p>“Resolution on rules of contracting, disbursement, monitoring and evaluation of the efficiency of disbursement of untied grants” (Resolution of the Government of the Republic of Kazakhstan № 740 dated 19.07.2005)</p>	<p>О правилах заключения контрактов, распределения, мониторинга и оценки эффективности распределения несвязанных грантов (Постановление правительства РК 19.07.2005 №740)</p>
<p>“Resolution on the rules of calculating guaranteed transfers from the National Fund for the three years period” (The Governmental Resolution of 25.08.2006); The Conception of forming and spending resources of the National Fund in mid-term perspective (Decree of the RK President of 1.09.2005)</p>	<p>«О правилах расчета гарантированных трансфертов из Национального Фонда на 3-летний период» (Постановление Правительства от 25.08.2006) и «Концепция формирования и использования ресурсов НФ в среднесрочной перспективе » (Указ президента от 1.09.2005)</p>
<p>“Rules of budget accounting” (approved by the order of the Minister of Finance of December 14, 2004 No. 445)</p>	<p>Правила ведения бюджетного учета, утверждены приказом Министра финансов РК от 14 декабря 2004 г. № 445</p>
<p>“Rules of compiling and keeping the registers in the sphere of state procurement” (Government regulation of November 29, 2007 No. 1149)</p>	<p>Правила формирования и ведения реестров в сфере государственных закупок (Постановление Правительства РК от 29 ноября 2007 г. № 1149)</p>
<p>“Rules of compiling and presenting execution reports on state, consolidated, oblast, Republican and local budgets” (approved by the order of the Minister of Finance of December 8, 2004 No. 432)</p>	<p>Правила составления и представления отчетов об исполнении государственного, консолидированного бюджетов, бюджета области, республиканского и местных бюджетов, утверждены приказом Министра финансов РК от 8 декабря 2004 г. № 432</p>
<p>“Rules of compiling and presenting reports by state institutions” (Order by the MoF of RoK of December 1, 2004 No. 424)</p>	<p>Правила составления и представления отчетности государственными учреждениями (Приказ МФ РК от 1.12.2004 № 424)</p>
<p>“Rules of compiling and presenting the reports on accounts payable of statutory bodies” (approved by the order of the Minister of Finance as of December 24, 2004 No. 460, in force since 1.01.2005)</p>	<p>Правила составления и представления отчетов о кредиторской задолженности государственных учреждений, утверждены приказом Министра финансов РК от 24 декабря 2004 г. № 460</p>
<p>“Rules of implementation of external control over Republican budget execution” (Accounts Committee resolution of September 8, 2006 No. 57)</p>	<p>Правила проведения внешнего контроля за исполнением республиканского бюджета (Постановление Счетного комитета по контролю за исполнением республиканского бюджета от 8 сентября 2006 года № 57)</p>
<p>“Rules of implementation of internal control” (approved by the Government regulation as of November 30, 2004 No. 1246)</p>	<p>Правила проведения внутреннего контроля в Республике Казахстан, утверждены постановлением Правительства РК от 30 ноября 2004 г. № 1246</p>

“Rules of selection of taxpayer subject to tax audit” (Order by Chairman of a Tax Committee of September 25, 2006 No. 462)	Порядок выбора налогоплательщиков, подлежащих налоговой проверке. (Приказ Председателя НК № 462 от 25.09.2006 г.)
“Standards of state financial control” (approved by the regulation of the Accounts Committee’ of October 7, 2004 No. 28, with enclosed “Rules of ethics”)	Стандарты государственного финансового контроля, утверждены постановлением Счетного комитета по контролю за исполнением республиканского бюджета от 7 октября 2004 г. № 28 (с прилагаемыми к ним «Правилами этики»)
“Statistical bulletin No. 1 of January 2007” (of the Ministry of Finance)	Статистический бюллетень Министерства финансов № 1, январь 2007 г.
“Study of the Impact of the Treasury System on the implementation of Health Financing Reforms 2005-2010” (and the Programme of Reforming and Development of Health in the Republic of Kazakhstan for 2005-2010; 2006)	Исследование эффекта Казначейской системы на внедрение финансовых реформ здравоохранения и Программа реформирования и развития здравоохранения в РК на 2005-2010 (2006 год)
“The annual President’s message presented on February 28, 2007” (in Parliament “New Kazakhstan in the new world”)	Ежегодное Послание Президента народу Казахстана, представленное Парламенту 28 февраля 2007 года («Новый Казахстан в новом мире»)
“The Budget Code” (of RoK, 2004, with amendments in 2004-2008)	Бюджетный кодекс РК (2004 с изменениями 2004-2008)
“The Criminal Code” (of the Republic of Kazakhstan 1997)	Уголовный Кодекс Республики Казахстан от 16.07.1997 Т 167-1
“The package of documentation for draft budget 2008 and budget execution report 2006” (submitted to the Parliament in 2007)	Комплект документации к проекту республиканского бюджета на 2008 год и отчет об исполнении республиканского бюджета за 2006 год представленный в Парламент в 2007 г.
“The Rules on Execution of the Republican and Local Budgets” (Resolution of the Government of RK of 20 March 2007 №225)	Постановление Правительства Республики Казахстан от 20 марта 2007 г. №225 «Об утверждении Правил исполнения республиканских и местных бюджетов
“The Tax Code” (On taxes and other obligatory budget payments, Almaty, “Jurist” , 2008; Law of the RoK of June 12, 2001 , No. 209-II, effective since January 1, 2002)	О налогах и других обязательных платежах в бюджет (Налоговый кодекс) – Алматы, Юрист, 2008 (Законом РК от 12 июня 2001 года № 209-II и введен в действие с 1 января 2002 года)
Amount of budget revenue for 2008 directed to National Fund of RoK. Appendix 1 to Government Regulation of RoK of 12 December 2007 No. 1223	Объемы поступлений в бюджет на 2008 год, направляемые в Национальный фонд Республики Казахстан. Приложение 1 к постановлению Правительства Республики Казахстан от 12 декабря 2007 года №1223
Decree on approval of rules for Preparation of the Draft Republican Budget and Extraordinary State Budget” (Presidential Decree July 5, 2007, №363)	Указ Президента Республики Казахстан от 5 июля 2007 г. №363 «Об утверждении правил разработки проекта республиканского бюджета и чрезвычайного государственного бюджета»

<p>Regulation about implementation of the law on the Republican budget for 2005' (Government Regulation of RoK of 8 December 2004 No. 1289)</p>	<p>О реализации Закона Республики Казахстан «О республиканском бюджете на 2005 год». Постановление Правительства Республики Казахстан от 8 декабря 2004 года №1289</p>
<p>Tax Administration Reform and Modernization (In Two Volumes) Volume II: Tax Strategy Paper Report No. 36494-KZ A Study under the Joint Economic and Research Program of the Government of Kazakhstan and the World Bank. June 2008</p>	<p>Республика Казахстан. Отчет по налоговой стратегии –Том II. Вопросы налогового администрирования. Документ Всемирного Банка. Отчет No. 36494-KZ Исследование в рамках Программы совместных экономических исследований Правительства Республики Казахстан и Всемирного банка Июнь 2008 года</p>

Annex C: List of interviewees

Name	Position	Institution
Mr. Aimbetov Seitsultan Suleimenovich	Deputy of Mazhilis, Candidate Doctor of Economics	Mazhilis
Mr. Amandyk Moldashev Tursunovich	Head	Ministry of Finance, Financial Control and Procurement Committee, Administration for Control over Local Budgets Execution
Mr. Bakanov Zhanbolat Galitdinovich	Head	Ministry of Finance, Analytical Consolidation Department, Administration for Interaction with Financial Institutions
Mr. Baurzhan Kalzhaev	Head	Ministry of Economy and Budget Planning, Social Sector Development Department
Mr. Birzhanov Erzhan Erikovich	Head	Ministry of Finance, Tax Committee, Strategic Development Sector
Mr. Bulat Torganovich	Director	Ministry of Health, Department for Strategic Planning and International Cooperation
Mr. Dostijarov Abylai Mukhamedjarovich		Ministry of Finance, Treasury Committee, Department for Management and Monitoring of Government Borrowings
Mr. Esilov Sansyzbai Seitzhanovich	Secretary, Deputy of Mazhilis, Candidate Doctor of Economics	Mazhilis, Finance and Budget Committee
Mr. SARSENOV Ilyas	Economist	World Bank
Mr. Jandaev Serik Zhakenovich	Head Doctor, Assistant Professor, Doctor of Medical Science	Astana City Hospital No.1
Mr. LITWACK John	Lead Economist	World Bank
Mr. Kairat Elibayev	Head	Ministry of Finance, Financial Control and Procurement Committee, Administration for Control in Procurement Sector
Mr. Karakikimov Murat Takanovich	Deputy Head	Akimat of Karaganda oblast, Administration for Education
Mr. Kim Vissarion Valerievich	Director	Ministry of Finance, Analytical Consolidation Department
Mr. Kuat Tumabayev	Deputy Head	Ministry of Economy and Budget Planning, Department for Investment Policy

Name	Position	Institution
Mr. Kypshakov Argyn Myktybaevich	Acting Deputy Chairman	Ministry of Finance, Tax Committee
Mr. Moldashev Amandyk Tursunovich	Head	Ministry of Finance, Financial Control and Procurement Committee, Administration for Control over Local Budgets Execution
Mr. Sagyn Bekbol Ubaidollaevich	Deputy Director	Akimat of Astana, Economy and Budget Planning Department
Mr. Satvaldiev Darkhan Amangeldievich	Deputy Director	Ministry of Education, Finance Department
Mr. SHATALOV Sergei	Country Manager	World Bank
Mr. Sholpankulov Berik Sholpankulovich	Deputy Chairman	Ministry of Finance , Treasury Committee, Treasury Department of Astana
Mr. Sydykov Anvar Shaimerdenovich	Chief	Ministry of Agriculture, Financial Control and State Assets Department
Mr. Tanirbergenov Serik	Head	Ministry of Health, Administration for Strategic Planning
Mr. Tleumuratov Yuriy	Chairman	Ministry of Finance, Financial Control and Procurement Committee
Mr. Togaibaev Ruslan Islamovich	Deputy Head	Akimat of Karaganda oblast, Administration for Finance
Mr. Tokbayev Rakhat Keldibayevich	Head	Ministry of Finance , Treasury Committee, Treasury Department of Astana
Mr. Tumabayev Kuat	Deputy Head	Ministry of Economy and Budget Planning, Department for Investment Policy
Mr. Yusenbayev Abdykadyr Kazbekovich	Chairman	Parliament, Senate, Finance and Budget Planning Committee
Mrs. Shashdauletova Aigul Zhangeldievna	Head of Division	Akimat of Karaganda oblast, Administration for Finance, Division of analysis of local budget execution
Mrs. Abdrakhmanova Orynbike Rakhimbekovna	Head of Division	Akimat of Karaganda oblast, Administration for Finance, Division of coordination of budget execution and management of budget money
Mrs. Abilbekova Aigul Abilkadyrovna	Specialist	Ministry of Economy and Budget Planning, Department for Budget Planning Methodology
Mrs. Akhmetova Gulnara Dulatovna	Deputy Director	Ministry of Finance, Analytical Consolidation Department
Mrs. Altnai Abulkhairovna	Specialist	Ministry of Economy and Budget Planning, Department for Budget Planning Methodology
Mrs. Amrina Galia Kuanyshbekovna	Director	Secondary School No.52, Astana
Mrs. Babazhanova Bayan Ermekovna	Director	Ministry of Economy and Budget Planning, Department for Budget Planning Methodology
Mrs. Basharina Lyudmila Viktorovna	Head of Division	Akimat of Karaganda oblast, Administration for Economy and Budget Planning, Division of budget planning and interbudgetal relations

Name	Position	Institution
Mrs. Bisembaeva Bagila Mubarakovna	Supervisor	Mazhilis, Finance and Budget Committee , Activity Support Department
Mrs. Buravleva Tatyana Viktorovna	Head of Division	Akimat of Karaganda oblast, Administration for Healthcare, Planning and economic Division
Mrs. Doskhodzhaeva Anar Berikovna	Director	Ministry of Education, Department for Consolidated Planning
Mrs. Ernazarova Zaifura Altynbekovna	Head	Ministry of Finance, Reporting and Statistics Department, Administration for Reporting and Methodology
Mrs. Gulgul Siasbekovna	Specialist	Ministry of Economy and Budget Planning, Department for Regional Policy and Interbudgetal Relations
Mrs. Gulsara Galimovna	Chief Accountant	Ministry of Education, Finance Department
Mrs. Gulzhan Amrina	Deputy Head	Ministry of Finance, Financial Control and Procurement Committee, Department for State Assets Management and Procurement Methodology
Mrs. Harlamova Lyudmila Grigorievna	Head	Ministry of Finance, Reporting and Statistics Department, Department for State Budget Reports
Mrs. RUBASHINA Irina	Consultant	Think Tank National Analytical Development Center
Mrs. Kadyrova Ninel	Coordinator	Ministry of Health, Administration for WB Projects Support
Mrs. Kakimova Saule Tursunovna	Deputy Director	Ministry of Economy and Budget Planning, Department for State Assets Management Policies
Mrs. Karagusova Gulzhana Dzhanpeisovna	Chairman, Deputy of Mazhilis, Professor , Doctor of Economics	Mazhilis, Finance and Budget Committee
Mrs. Khamzina Venera Galymzhanovna	Deputy Chief	Ministry of Agriculture, Department for Legal Provision and Procurement Strategy
Mrs. Korzhova Natalya Artemjevna	Responsible Secretary	Ministry of Finance
Mrs. Kozzhanova Mairash Saparbekovna	Director	Ministry of Labor, Finance Department
Mrs. Levaeva Nina Stepanovna	Head of Division	Akimat of Karaganda oblast, Administration for Education, Planning and economic Division
Mrs. Mizambaeva Gulbarshin Akylbekovna	Lead specialist	Akimat of Karaganda oblast, Administration for Finance, Division of budget accounting and reporting
Mrs. Molotovnik Adelaida Konstantinovna	Deputy Head	Akimat of Karaganda oblast, Administration for Economy and Budget Planning
Mrs. Mukanova Rakhima Ergalievna	Head	Ministry of Finance, Treasury Committee, Department for Payment Transactions

Name	Position	Institution
Mrs. Nikitinskaya Yekaterina Sergeevna	1 st Deputy Chairman	National Chamber, “Atameken” Economic Union
Mrs. Nurkeeva Raissa Zhekenovna	Deputy Head	Akimat of Karaganda oblast, Administration for Healthcare
Mrs. Parusimova Lyubov Ivanovna	Director	Ministry of Finance, Reporting and Statistics Department
Mrs. Raeva Bakyt Temirgalievna	Director	Ministry of Health, Economics and Finance Department
Mrs. Satkalieva Valentina Adamovna	Chairman’s Assistant	Parliament, Senate, Finance and Budget Planning Committee
Mrs. Sattybaeva Ardak Dauletovna	Head of Division	Akimat of Karaganda oblast, Administration for Finance, Division of state bodies, defence, public order and safety financing
Mrs. Sattybaeva Bakyt Aizharkynovna	Head	Ministry of Agriculture, Administration for Budget Execution
Mrs. Shainazarova Sholpan Bulatovna	Deputy Chairman	Ministry of Finance, Financial Control and Procurement Committee
Mrs. Sinkevich Lyudmila Vladimirovna	Lead specialist of Health and social protection division	Akimat of Karaganda oblast, Administration for Economy and Budget Planning
Mrs. Smazhanova Maira Shamshanovna	Lead expert	Ministry of Education, Internal Control Department
Mrs. Tenizbaeva Altyn Tenizbaevna	Acting Deputy Director	Ministry of Finance, Department for Financing Government Borrowings
Mrs. Tlebaldieva Dinara Duisenbievna	Head	Ministry of Finance, Analytical Consolidation Department, Analysis and Research Section
Mrs. Yakovleva Tatyana Ivanovna	Member, Deputy of Mazhilis	Mazhilis, Finance and Budget Committee
Mrs. Zhaksylykova Nuria Habibulovna	Head	Ministry of Finance, Treasury Committee, Department for Expenditure Financing
Mrs. Zhumabekova Dania Kabdullovna	Head of Division	Akimat of Karaganda oblast, Administration for Economy and Budget Planning, Division of Economy sectors
Ms. Akbota Meirambekovna	Specialist	Ministry of Economy and Budget Planning, Department for Public Management Sector Development
Ms. Altynai Abulkhairovna	Specialist	Ministry of Economy and Budget Planning, Department for Budget Planning Methodology
Ms. Amrina Gulzhan Azizovna	Deputy Head	Ministry of Finance, Financial Control and Procurement Committee, Department for State Assets Management and Procurement Methodology

Name	Position	Institution
Ms. Baigozhina Aigul	Head	Ministry of Finance, Treasury Committee, Revenue Accounting Department
Ms. Beisenova Batima Kusainovna	Deputy Head	Ministry of Finance , Treasury Committee, Treasury Department of Astana
Ms. Dzhangazieva Gulmira Tarikhovna	Head	Agency for Civil Service, Administration for Organizational Support
Ms. Erzhanova Asemgul Sabitbekovna	Head	Ministry of Finance , Treasury Committee, Treasury Department of Astana, Administration for Plans and Approvals
Ms. Idrisova Aigul Sauganbaevna	Deputy Chief	Ministry of Agriculture, Financial Provision Department
Ms. Kabylkairova Gulzhan	Deputy Director	Akimat of Astana, Finance Department
Ms. Kalieva Anar Nurdybaevna	Director	Ministry of Finance, State Budget Execution Methodology and Analysis Department
Ms. Kalieva Dinara Esenzholovna	Head	Ministry of Finance , Treasury Committee, Treasury Department of Astana, Administration for Registration of Contracts
Ms. Kenzhebayeva Ainura	Head	Ministry of Finance, Administration for Securities, Guarantees, Warranties
Ms. Kudaibergenova Ainur	Specialist	Ministry of Economy and Budget Planning, Department for State Management Sector Development
Ms. Kuleshova Alma	Head	Akimat of Astana, Administration for Relation with Utilities' Legal Entities
Ms. Makhina Lyazzat Kabikenovna	Head	Ministry of Finance , Treasury Committee, Treasury Department of Astana, Administration for Entries of Outstanding Payments
Ms. Makhmutova Aigul	Head	Ministry of Finance, Treasury Committee, Department for Consolidation and Financial Planning
Ms. Mukhamediyeva Almagul Dhumabayevna,	Head	Accounts Committee (Supreme Audit Institution), Analytical Consolidation Department
Ms. Omarova Dinara	Acting Head	Akimat of Astana, Administration for Budget Policy and Revenue Forecasting
Ms. Saveljeva Tatyana Mikhailovna	Deputy Head	Ministry of Economy and Budget Planning, Budget Policy and Planning Department
Ms. Shabanova Dina	Deputy Head	Ministry of Finance, Treasury Committee, Department for Cash and Analysis of Reconciliation of Accounts
Ms. Shazhenova Dina Melsovna	Responsible Secretary	Ministry of Economy and Budget Planning
Ms. Suleimenova Bakyt	Deputy Director	Akimat of Astana, Finance Department

Name	Position	Institution
Ms. Sybynbaeva Sabira Aripovna	Deputy Head	Ministry of Finance, Tax Committee, Administration for Organizational and Financial Support
Ms. Umarova Gulnar Sartayevna	Deputy Head	Ministry of Finance , Treasury Committee, Treasury Department of Astana
Ms. Unerbekova Gulzhan Mazhenova	Deputy Head	Ministry of Finance , Treasury Committee, Treasury Department of Astana
Ms. Zhakibaeva Dinara Kabdylmanatovna	Deputy Director	Ministry of Finance, Reporting and Statistics Department
Ms. Zhamilya	Specialist	Ministry of Economy and Budget Planning, Department for Budget Policy and Forecasting

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