

COVER PAGE

Name of Recipient: Arizona-Kazakhstan Partnership Foundation, Inc. (AzKz)

Title of Program: Kazakhstan-Arizona Partnership II

USAID Grant/Agreement No.: 115-A-00-01-00026-02

Period This Report Covers: 1 August 2002 - 31 January 2003

Amount of Agreement: \$X,XXX,XXX

Total Value of Program: \$X,XXX,XXX

Funds Received This Period: \$XXX,XXX

Expenditures This Period: \$XXX,XXX

Balance Due under Agreement: \$XXX,XXX

Total of Other Contributions (non-USAID) To Date: \$XXX,XXX (Does not include GOK's contributions toward Public Administration training, inter alia.)

Kazakhstan-Arizona Partnership Program II
Semi-Annual Progress Report

Narrative Report

For the Period

1 August 2002 - 31 January 2003

The focus of the past six months has been on maintaining the momentum for continuing partnership activities, implementing the second new partnership, and conducting the Public Administration Training Program Internship Phase. The following summarizes the activities associated with these programs.

The Real Estate Appraisers Partnership

Impact of Activities The first technical assistance visits took place in October and November to Almaty. The first saw the lead partners from the Southern Arizona Chapter of the Appraisal Institute (SACAI) visit Kazakhstan for the first time. The agenda designed by the members of the Chamber of Professional Appraisers of Kazakhstan ensured the appraisers from Tucson learned the challenges facing professional appraisers in Kazakhstan.

They began their meetings with the leadership of the Chamber of Professional Auditors, more or less a template for how the appraisers are becoming organized. The president of the auditors spoke of the government's view of professional associations compared to how the members themselves see their organization. This was very insightful to learn of the government's ideas--to establish independent chambers in each oblast or region with a central representative (republic) chamber for oversight in the capital. However, the Chambers of Auditors, Appraisers, and Business Consultants themselves would each prefer a general organization with regional representative offices. The "headquarters" in this case would focus on international cooperation/standardization issues as well as liaise with other professional organizations. This conversation was in part to prepare for a visit the third day to Astana to discuss such things with government officials.

The next meetings were with various agencies involved in real property exchanges; the Almaty Real Estate Center, mortgage lenders from BankCenter Credit and BCC, the new mortgage company. (The latter, with only 8 month's experience, was there to learn as much as inform.) The technical advisors also met with a couple appraisal firms to learn what they have to work with to perform appraisals.

Successes Armed with a limited understanding of the government's role, the advisors went to Astana where they attended Committee Hearings for the "Law on Appraisal," and proposed amendments were being discussed. Andria Burke, President of SACAI, provided expert testimony on behalf of the Chamber, advocating for the Chamber's input to the making of the law. The chair of the committee is the Deputy Secretary of the Majilis and he formally recognized Ms. Burke's contributions and followed up with questions. This was considered a significant event--**to be allowed access to the hearings and to be recognized by the chair as appraisal experts**--something not normally available to the average Kazakhstani citizen.

After the session, the partners were invited to meet with the Director of the Licensing Committee of the Ministry of Justice. This man is responsible for registering any legal entities and specifically, for determining which industries and professions are regulated by the government. The meeting was impromptu but very fruitful. **The US and Kazakhstani partners made the case that professional associations can provide the functional expertise the government needs when making laws and decisions regarding them. The case was also made for the need for enabling legislation to pave the way for self-regulated membership organizations to oversee the professionalism within specific industries.**

Upon returning to Almaty, the technical advisors met with a gathering of members of the Chamber for an overview of SACAI and the state of real estate appraisers in the US. This was a lively exchange and set the tone for planned future training.

The Chamber subsequently established a group that is now active on a work group formed by the Ministers of Justice, Finance, and Transportation and Communication to develop "Rules on the Usage of Requirements to the Methods of Appraisal of Real Estate and Movable Property by Subjects of Appraisal." These rules, approved by the three ministries in November 2002, are the first step toward codifying Standards of Practice for Appraisals in Kazakhstan.

The second technical training visit took place on the heels of the first when, in cooperation with Pragma, two well respected professional appraisers from Arizona went to Almaty. Their objective was to conduct practical training on residential and commercial property appraisal in accordance with international standards. Although lacking the data appraisers in other parts of the world would have available, both trainers made the most of the opportunity to instruct the 36 participants on principles and methods of real estate and commercial property valuation.

Challenges The primary obstacle to the active development of the Chamber of Professional Appraisers is their tie-in with other professional associations. But it's a double-edged sword. Whereas the Chamber enjoys safety in numbers as well as the access afforded by several well-placed auditors in government, waiting for the other associations to act is slowing their development down. And the Appraisers have benefited from the facilities the Auditors make available for training activities. So it's not a relationship they will sever any time soon. They are now helping to establish a Confederation of Professional Organizations in the Finance Market (not a formal name, just a working title,) to further the interests of like-minded professional associations.

When the partners visited, the Chamber had an office administrator who gave the Chamber a full-time face. This person left without a replacement so the affairs of the Chamber are shared between the various offices of board members making it more difficult to follow-through. Although the work plan developed during the initial exchange last April is now only partially executable, **the enthusiasm the Chamber has shown for participating in self-governing activities far outweighs any objective set at that time.** During AzKz's next visit to Almaty, we will advise them on ways to reinvigorate their internal organizational development activities. In the

meantime, the four partners who came to the US have renewed their memberships in the Appraisal Institute.

Actuarial Partnership

Impact of Activities The participants from Kazakhstan arrived in Chicago in December ready to make the most of their visit despite colder than normal temperatures. As AzKz's first partnership hosted outside Tucson, we had to rely more heavily on the American partners' organizations for daily support. We found the people in the actuarial profession to be gracious, open, and willing to share allaying all fears we may have had.

Thanks to a very thorough needs assessment by our office in Almaty and the Actuarial Society of Kazakhstan (ASK), the three American partner organizations--the Society of Actuaries (SOA), the American Academy of Actuaries (AAA), and the Casualty Actuarial Society (CAS)--were well prepared to address every area of interest/concern for the visitors. The visit began in Schaumburg, IL at the SOA headquarters. There the Kazakhstani learned about the structure of the associations and how responsibilities for membership oversight are delineated. Although spread among three agencies, all the services provided to the membership were clear. SOA also addressed topics of specific interest--Actuarial Examinations, Actuarial Table Construction, and Research Projects. Questions were far-ranging and insightful. On the third day, the delegation met with two major insurance companies--Allstate and Zurich--personal lines and commercial property and casualty specialists, respectively. These meetings went a long way to demonstrate the role of actuarial work in the industry and an opportunity to see actuaries on the job.

The participants then moved on to Washington, DC to meet with the other two partner organizations. Again the gregarious hosts were well prepared and enthusiastic to address the interests of their Kazakhstani counterparts. Although they met with fewer actuaries in Washington (the focus was on support functions), the reception was no less generous. **Here they delved into Standards of Practice and the effort required publishing and maintaining professional standards and enforcing the Code of Conduct.** For without these two elements in place--a set of standards and a code of ethics--the Kazakhstani society cannot hope to be accepted as full members of the International Association of Actuaries (IAA)--a critical requirement for Kazakhstan's acceptance into the global economy. **The delegation also learned about working with government at the national level, not as lobbyists for their interests but as informers, researchers, and helpmates.** This was an enlightening perspective for the ASK members.

The few short hours spent with CAS were nevertheless fruitful as the majority of insurance offered in Kazakhstan today is property and casualty.

Successes The Kazakhstani partners developed an aggressive work plan to guide their actions over the coming months and determine priorities for organizational development. The four participants will present the results of their trip to the membership mid-February. The presentation will include a proposed organizational

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structure for ASK that will posture them for admittance to the IAA. The proposal will address structure, management issues, election rules and procedures, rules to govern the membership, et al. Once approved, the four participants will continue to lead their nascent organization in development activities including two SABIT interships.

Challenges Actuaries in Kazakhstan are under considerable pressure to certify reserves for the existing insurance industry as well as the government's holdings for the pension fund. To feel comfortable in their assessment, they feel the need to "hurry up" and produce mortality tables--life expectancy, specifically--which cannot be created without an extensive, expensive effort and much cooperation from the government. While in the US, the ASK members received a lot of sympathy and a few ideas on how to begin data gathering to support future table development. Without appropriate emphasis by the government, this could be an up-hill battle.

Local Government Training Program

Impact of Activities The activities and successes of the Internship Phase of the Public Administration Training Program are covered extensively in a separate report published and distributed to key USAID/CAR team members. Please refer to the attached document for specific results during this period.

NGO Development Partnership II

Impact of Activities The Confederation of Non-governmental Organizations of Kazakhstan (CNOK) was newly formed when the president and key members came to the US for the Kazakhstan-Arizona Partnership Program. Seeing what was possible when government and NGOs cooperate, CNOK has been on a crusade since to change the thinking of government officials; to help them see the potential for serving the needs of citizens without overburdening the government's resources. The Partnership Development Process served as a catalyst for CNOK's activism in the social sector. A few recent examples of their activities funded through multiple sources are:

- Established Councils for Collaboration in six oblasts where local NGOs and local government use to impact the decisions of government on social and economic issues
- In Kyzylorda, started pilot project--Coordination Center to Fight Poverty--partnering local government, NGOs, and businesses
- Through the Inter-Ministries Committee to Fight Poverty, considering establishment of micro credit organizations in Karaganda
- Lobbied for legislation "On Micro Credit Organizations" and "On Correction and Social-Pedagogical Work with Children with Disabilities"
- With UNICEF, developing sociological measures to determine quality of life factors for Kazakhstan; measures will be used to demonstrate to governments where to place emphasis for programs
- Along with Confederation of Free-Trade Unions, focusing on removing barriers to women in the workforce

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- CNOK President was appointed to the Constant Council on Democratization of the Society as the only representative of the social sector

As a direct result of the partnership-funded study tour to Russia for key personnel from the Ministry of Culture, Information and Public Accord, the Ministry of Finance, the Ministry of State Revenue, and the Agency of Strategic Planning, CNOK submitted draft legislation "On Government Social Contract" to the first named agency. It is the government's plan to submit the legislation to the Parliament second quarter 2003.

CNOK has become a viable force for social change in Kazakhstan and AzKz is proud to have contributed to their accomplishments.

Women's Leadership Partnership II

Impact of Activities After learning in July how to design and run a campaign for public office, one of the program participants used the techniques learned to successfully run for Secretary of the Maslikhat of Astana City. One of the other participants conducted a seminar for 66 people on what they call "Campaign Technologies." Tomiris Business Women's Club is also sponsoring a three-day seminar in March for a smaller group of people to learn "Campaign Technologies." AzKz will continue to monitor their successes.

Mortgage Bankers Study Tour

Opportunities Scheduled to begin 28 February, the program slipped due to availability of all concerned. A rigorous agenda is in-work to address specific questions of the six individuals identified to participate. The program will spend 11 days in Arizona and two days in Washington, DC.

Challenges The participants are not key decision-makers for their organizations but we trust they will become influential as a result of the knowledge they'll gain while in the US.

Other Partnership News

The **Kazakhstan Tourism Association (KTA)** continues work on an active agenda of business development in the tourism industry. Using what they learned through the Partnership Development Process,

- ✓ KTA continuously monitors legislative actions affecting tourism and the hotel business--customs, tax code, Tourism and Excursion Services regulations, etc.;
- ✓ KTA is working with universities to further develop the tourism and hotel services curriculum to grow the future workforce;
- ✓ KTA is working with international embassies to make travel to Schengen Agreement countries easier for Kazakhstani citizens and conversely opening doors for other countries' citizens to find Kazakhstan interesting;
- ✓ KTA represents Kazakhstan at worldwide tourism exhibitions--next scheduled for Istanbul, Berlin, and Moscow;
- ✓ KTA is actively involved with business and economic development forums.

The **Almaty Association of Entrepreneurs** and The Forum continue to advocate for small and medium enterprise development. Their most effective format is the roundtable discussion, gathering entrepreneurs, government officials, and regulatory agencies. Topics included problems defining cost of goods for customs, moratorium on inspections of small business, and certification of goods. They're also actively commenting on proposed legislation, most recently "On Trade," "On Smoking Tobacco," "On Protection of Consumer's Rights." With support from the Center for International Private Entrepreneurship, they hosted roundtables exploring administrative barriers in Kazakhstan and throughout Central Asia. They continue to publish the AAE Newsletter launched through the partnership program, and routinely provide seminars and consulting services to assist new business owners with the many hurdles to successful development.

Summary

AzKz is clearly pleased with the progress made by partnership "graduates" and will continue to stay informed of their activities. The newest partnerships--Appraisers and Actuaries--hold even more promise given the initiative they've demonstrated to date. And the public administrators--akims, deputy akims, members of maslikhats--are more vocal and passionate than ever before to be a part of the changes taking place in Kazakhstan. AzKz is privileged to be witnessing the maturation of a new nation close up and personal.