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Quarterly Report



ECONOMIC REFORMS TO ENHANCE COMPETITIVENESS

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Significant issues affecting implementation:

- Applying IPSAS into the Government Accounting Sector in Kazakhstan requires a uniformed approach in operating with data. Currently, the intention is that the IT departments in each Ministry will make the program updates. There is a potential risk that the individual systems will not be uniform and at worst will not be compatible with each other. There may be a need for a separate assignment on establishing a system to centrally co-ordinate the IT updates.
- The FSA's HR department lacks personnel, skills, authority, and budget to make any significant changes to the way they operate. The staff currently performs strictly administrative tasks, largely unrelated to the functions of a Human Resources department. Together with the Project banking specialist, advisor commenced to conduct a skills inventory and prepare an action plan for developing the capacity of the department. Based on the USAID guidance, no assistance will be provided to the FSA's HR department until they are able to increase their staff levels.
- Successful implementation of the IRDS will depend on the ability of the EREC Project Advisors and staff from the Banking Supervision Department, Strategy and Analysis Department and IT Department of the FSA to coordinate and sequence their activities and fully cooperate with each other during the implementation process. An implementation working group was set up including members of all three participating departments and channels of communications were established within the middle management structure to facilitate efficient problem solving mechanisms. Prior to moving to the implementation phase the appendencies to the SRS document need to be completed and demonstration of the IRDS system performed based on the functional requirements contained in the SRS.

Significant meetings with counterparts & donors:

- Argyn Kipshakov, Deputy Chairman, Tax Committee
- Aidar Mekebekov, Audit Department Head, Tax Committee
- Bakytzhan Kachakov, Tax Audit Department Expert, Tax Committee
- Aigul Ualiyeva, Taxpayers Services Department, Senior Expert, Tax Committee
- Nurlan Rakhimgaliyav, VAT Administration Department Head, Tax Committee
- Nurzhamal Zhasakbayeva, Taxpayers' Services Department, Senior Expert, Tax Committee
- Zhanat Kozhakhmetov, Deputy Chairman, Competition Protection Agency (CPA)
- Oxana Bassalayeva, Acting Strategic Department Director, CPA Center on Competition Policy Development and Advocacy (CCPDA)
- Nikolay Pichkarev, Commodity Markets Monitoring and Analysis Department Head, CPA, Vice President, CCPDA
- Aldash Aitzhanov, Antimonopoly Legislation Violation Detection and Prevention Department Head, CPA
- Dinara Ashumenova, Legal Department Head, CPA
- Viktor Ivanov, CCPDA
- Mazhit Yessenbayev, Chairman, CCPDA

- Boris Parsegov, Deputy Chairman, CCPDA
- Kuanysh Nurpeisov, Almaty Competition Protection Department Head
- Assel Assaubayeva, Strategic Development and International Cooperation Division Head
- Aliakpar Matishev, President, Center for Competition Policy Development and Advocacy
- Zhanna Imagambetova, Economic Sectors Analytics Department Head, CCPDA
- Alfiya Belgibayeva, Competition Policy Development acting Department Head, CCPDA
- Musakhan Musagali-Uly, Administrative Department Senior Manager, CCPDA
- Saule Issabekova, Competition Policy Development Department Manager, CCPDA
- Gabit Shaikin, Head of the Investment Policy Division, Department of Investment Policy and Planning, MEBP
- Vissarion Kim, Deputy Chairman, Kazakhstan PPP Centre under the Ministry of Economy and Budget Planning (MEBP)
- Ibragim Toishibekov, Director of the Department for PPP Methodology and Development, Kazakhstan PPP Centre
- Talgat Balkiyaev, Projects Manager, Kazakhstan PPP Centre
- Elkayr Syzdykov, Chief of apparatus of the Accounts Committee
- Romankul Doszhanov, Director of the Methodology and External Relations Department of the Accounts Committee
- Nataliya Kumarova, Expert of the Methodology and External Relations Unit of the Accounts Committee
- Berik Sholpankulov, Vice Minister of Finance, head of the Working group on the issues of IPSAS adoption
- Zhamilia Aitzhanova, Director, Accounting and Audit development Department (hereinafter AD), Ministry of Finance
- Zaifun Ernazarova, AD deputy director, Ministry of Finance
- Anar Kaimoldinova, Head of Public Accounting and Financial Reporting Development Unit (hereinafter PAFRU), Ministry of Finance
- Bakhyt Altaeva, senior expert, PAFRU, Ministry of Finance
- Laylim Kashimova, senior expert, PAFRU, Ministry of Finance
- Ruslana Ischanova, Head of Accounting Development Administration, Treasury Committee (ADA of TC)
- Kaynylhayat Rahaeva, Chief Expert, Chief Treasurer, ADA of TC
- Iskander Absaliyev, President of JSC “Center for training, retraining and professional development of specialists employed in the financial system bodies” (hereinafter JSC “Center”)
- Olga Naimushina, Vice-President, JSC “Center”
- Dina Kalieva, Director of Methodology Department, JSC “Center”
- Asiya Uskenbaeva, Head of Training and Methodology Administration, Department for interaction with the Ministry of Finance and other Government Agencies, JSC “Center”
- Tatyana Kaigorodova, Chief Expert, Treasury Committee
- Marina Gordina, Chief Expert, Treasury Committee
- Anar Zakenova, Chief Expert, Ministry of Health
- Alma Baitukenova, Head of Administration, Treasury Committee
- Bakhyt Sattybaeva, Ministry of Agriculture
- Zauresh Shakupova, Ministry of Agriculture

- Gulmira Mailybaeva, Head of Accounting and Data reporting, Ministry of Education and Science
- Aigul Sarsenova, Lawyer
- Zaifun Ernazarova, AD deputy director, Ministry of Finance
- Anar Kaimoldinova, head of public accounting and financial reporting development unit (hereinafter PAFRU), Ministry of Finance
- Bakhyt Altaeva, senior expert, PAFRU, Ministry of Finance
- Laylim Kashimova, senior expert, PAFRU, Ministry of Finance
- Shyrynkul Torshaeva, JSC “Center”
- Aiman Ilyasova, JSC “Center”
- Shara Adiyatova, JSC “Center”
- Zevira Tomutaeva, JSC “Center”
- Nuriya Muhametzhanova, JSC “Center”
- Gulnur Kylyshbaeva, JSC “Center”
- Sofya Makarova, JSC “Center”
- Lyazzat Kistaubaeva, JSC “Center”
- Tolkynd Bodovova, Ministry of Education and Science
- Aliya Nurhalykova, Ministry of Education and Science
- Zhanna Bekentaeva, Chief Accountant, Committee for Control in Education and Science, Ministry of Education and Science
- Lyazzat Shaibekova, Chief Accountant, Kazakh National Academy of Music (hereinafter KNAoM)
- Nurgain Syzdykova, Deputy Chief Accountant, KNAoM
- Rakhimzhan Nurseitov, Department Deputy Director, Treasure Committee
- Amirzhanova, Treasury Committee
- Anara Aldazhumanova, Treasury Committee
- Nurtai Shalgimbayeva, Chief Accountant, Accounting Department Director (NBK)
- Askar Abdugapirov, Deputy Director, Accounting Department (NBK)
- Zauresh Polatbekova, Personnel Department Specialist (NBK)
- Alina Aldambergen, Deputy Chairperson of the Financial Supervision Agency (FSA)
- Nurlan Abdrakhmanov, Director of Strategy and Analysis Department (FSA)
- Mukhtar Bubeyev, Director of Banking Supervision Department (FSA)
- Kanat Tusupov, IT Department Director (FSA)
- Gulnara Kirleyeva, Advisor to the Chairperson of the FSA
- Arman Beisenbinov, Director of Department for Supporting Agency Operations (FSA)

A. Budget Development and Execution

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project continued its support to MEBP to implement the public service delivery reform under the broader results-oriented budgeting reform adopted in Kazakhstan, based on the specific Australian example of reforming public services provision. At the counterparts request, sample service charters being used in Australian health sector, the corresponding specification of performance indicators for measuring the performance, and the general overview of the Australian system of evaluating state

institutions compliance to preset service standards, including the role of the budget planning body in promoting better services provision across all sectors, were provided. The emphasis was made on Australian line ministries' enhanced authority and capacity to establish service standards, monitor and manage services provision in their own sectors to achieve better results.

2. Future activities & events

- Develop a plan of future activities to assist MEBP in advancing the public services delivery related reform in the context of the results-oriented budgeting.
- Tax Policy Department of the RoK Ministry of Economy and Budget Planning (TPD) requested a meeting to discuss possible technical assistance on the revenue forecast model development for Republican and local budgets, and for the National Fund.

B. Public Private Partnership

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project held a meeting with the Head of the Investment Policy Division of the MEBP Investment Policy and Planning Department to discuss the general plan for future technical assistance. The Department suggested amendments to the Project proposed program for the next series of training that placed greater emphasis on the PPP contracts and the issues of the PPP development in Kazakhstan, to be delivered for the experts of MEBP departments engaged in investment projects evaluation. The proposed modification of the next phase training program will involve a preliminary research work related to the analysis of the current issues that the Government have experienced with implementing PPP projects as well as the potential problems associated with them, and, the analysis of the applicability of various PPP schemes/forms to selected industries, identified by President as the priority industries for development under the Five-year plan of accelerated industrial and innovation development to be implemented by the Government starting from January 2010.

2. Future activities & events

- Provide the technical assistance in conformity with the identified jointly with MEBP and the PPP Centre set of activities for the technical assistance in the area of PPP development in Kazakhstan during the period starting from November of the current year and onwards onto 2010.

C. IGF

1. Highlights & accomplished tasks/activities against the work plan.

- No activities during the reporting period

2. Future activities & events

- EREC will provide assistance in this area at the request of the MEBP.

D. Tax Policy

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project organized an introductory meeting with the USAID Business Environment Project (BEI) on Risk Management Principles (RMP) to discuss EREC's role in the RoK Government's initiative to reduce number of businesses inspections through the RMP implementation in all relevant state agencies (in accordance with the newly passed RoK Law on Entrepreneurship dated June 2009): USAID's EREC Project will work with the Tax Committee of the Ministry of Finance as an inspectorate which undertakes a significant portion of businesses inspections;
- EREC Project provided basic materials for the TC MoF on RMP, in particular: major risk areas (risk genres) identified by OECD countries, sample risk criteria used by OECD tax authorities.
- EREC Project Tax Expert conducted a series of introductory and working meetings with the TC MoF to outline a structure of cooperation and work plan on RMP Concept development;
- EREC Project made a presentation on RMP on 18 September 2009 to provide various TC MoF departments with general trends in RMP implementation worldwide and concluded the presentation with a session of questions and answers;
- EREC Project developed a comprehensive draft report on "Risk Based Audit Case Selection: Kazakhstan Tax Committee" and also a brief comment on the TC MoF's draft RMP Concept to comment the existing vision of the Kazakh tax authority and provide recommendations in line with best international practice in RMP development; the report is subject to TC MoF's feedback;

2. Future activities & events

- EREC Project will reveal specific needs of the TC MoF on RMP Concept development and provide technical assistance in line with best international practice on RMP implementation in OECD and other countries.
- EREC Project will hold another session of questions and answers to discuss the submitted draft report on "Risk Based Audit Case Selection: Kazakhstan Tax Committee" and also a brief comment on the TC MoF's draft RMP Concept: the session results will be used by the USAID expert to finalize the draft report to be used by the TC MoF as a reference in developing of its final RMP Concept version;
- EREC Project will also submit two audit policy documents on tax evasion and tax avoidance as crucial risk areas;
- EREC Project will further monitor the development process of the TC MoF's RMP Concept till its final submission and approval.

E. Public Audit

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project held a workshop on Practical Aspects of Performance Audit for the Accounts Committee and Revision Commissions of Maslikhats. The training took place from July, 20 till July, 24 in Astana. Totally 29 participants attended the training, including representatives of the Accounts Committee and the Maslikhats (employees of various levels). Training materials from the workshop will be used for developing the Methodological recommendations for performance auditing. The Accounts Committee placed two press-releases on its web-site about this workshop.
- EREC Project provided assistance in planning and reporting on the audit of effectiveness of the State program on fostering patriotism among youth. Particularly, EREC provided consultations to AC representatives on developing effectiveness audit program and formulating audit recommendations.
- In response to the request from the Department of Methodology and International Relations of the Accounts Committee EREC Project Consultant drafted comments and recommendations for the Draft Methodological Guidelines on Conducting Performance Audit for republican and local budgets execution and use of state assets. The document is prepared in a user-friendly format and consists of two parts:
 - **Part 1** contains draft conceptual comments and recommendations that include suggestions pertaining to the guidelines' structure, expansion of its scope of appliance, and technical aspects of performance audit, etc;
 - **Part 2** contains detailed notes and proposals for the enhancement of the guidelines' content. Suggested exclusions and additions are offered in order to bring the draft guidelines in line with international standards and best practices.
- In response to the request from the head of the AC departments and the chairmen of the Revision Commission Maslikhats EREC Project translated training materials on practical aspects of performance audit into Kazakh language.

2. Future activities & events

- EREC Project will design a Training Plan on upcoming training activities for public auditors in Kazakhstan (the Accounts Committee's and Maslikhats Revision Commissions' staff)
- EREC Project will develop the Methodological recommendations on evaluation of the strategic plans of the state bodies at republican and local levels
- EREC Project will conduct a Financial audit training for the Accounts Committee and Maslikhats Revision Commissions (expected number of participants is 30, including 15 from regions);
- EREC will work on development of Draft Financial Audit Manual for state bodies which are responsible for conducting financial audit;
- Ongoing assistance will be provided in relation to the creation of the Regional center for Central Asian auditors;

- EREC will continue providing information on the international practice in public audit covering specific topics, if requested by the Accounts committee.

F. Parliament

- No activities during the reporting period

G. Banking and Consolidated Supervision

1. Highlights & accomplished tasks/activities against the work plan

- FSA Banking Supervision Department (BSD) requested that EREC Project Senior Banking Supervision advisor continue to strengthen analytical capacity of its off-site staff through formal and on-the-job training regarding the risk based analysis of the financial condition of individual banks and of the entire banking sector. Project advisor delivered a three week course in the intermediate CAEL analysis. The course was based on newly completed Uniform Bank Performance Report and demonstrated to the analysts how to use its ratios when assessing emerging risks to banks' capital, asset quality, profitability and liquidity. Analysts were also taught dynamic trend comparison and how to use peer group data (ratios related to banks similar in size, product mix and range of services) when assessing risk emerging at a particular institution. Analysts were encouraged to search for causes of the emerging problems and examples were provided on how to design a supervisory strategy for any given bank. The entire off-site supervision staff participated in the daily sessions including its manager and the Deputy Director responsible for the off-site unit. EREC Senior Banking Supervision Advisor used the most recent data from the system's largest bank as basis for the discussion. When completing the course analysts are expected to improve quality of their status reports and be better equipped to recognize emerging risks.
- At the request of the BSD EREC project advisor conducted analysis of financial condition of 6 large and 2 medium size banks. The analysis provided an opportunity to deliver on-the-job training to analysts responsible for these institutions and to reinforce concepts discussed in the formal classroom training. Project advisor and the analysts met with the FSA senior management and reported on the bank's condition, emerging risks and designed supervisory strategy suitable for the current year. During the on-the-job training project advisor concentrated on risk emerging in the contingent liabilities of banks, particularly in derivative products as most of the analysts lack experience in accounting treatment and risk assessment of these items. Project advisor also participated in several sessions of working groups responsible for consolidated supervision of banking conglomerates where analysts delivered presentation about their banks.
- Project advisor worked closely with the Strategy and Analysis Department (DSA) responsible for validation of input reports in designing tighter controls and cross checks of incoming regulatory and prudential reports from the commercial banks. During analysis of financial condition of particular banks project advisor identified mistakes

and inconsistencies in banks' financial returns housed in the data base of the FSA. In order to improve quality of these returns and to provide the FSA with better basis for stress testing, Early Warning System as well as better analytical tools, staff of the DSA together with the project advisor designed validation formulas that should help to reject reports containing mistakes at the time of submission and lead to considerable improvement of the quality of data. Project advisor also recommended changes to the policy regarding correcting of mistakes discovered after data had been approved and urged management to allow data to be corrected in data base regardless of its earlier publication.

- During the intermediate CAEL analysis course project advisor identified a need for improved understanding of accounting treatment of banks' products and services and delivered several training sessions in accounting fundamentals for the off-site supervision staff. The topics included allowance and provision accounting, accounting treatment of charge offs and recoveries, interest accruals and reversals and REPO transactions. In addition, project advisor concentrated on accounting treatment of basic derivative products (forward, swaps and options) their revaluation and profit and loss recognition. Project advisor provided examples including general ledger entries for all above mentioned products. Project advisor met with representatives of the NBK responsible for commercial banks' accounting rules to discuss treatment of derivatives, foreign exchange revaluation and its profit and loss recognition.
- At the request of the BSD project advisor met with representatives of all major banks in Kazakhstan to discuss matters ranging from reporting mistakes to the accounting and reporting treatment of the derivatives. Project advisor also assisted banks in understanding the instruction for filling out reports for analysis of interest rate sensitivity. In addition, banks' representatives requested several meetings with project advisor to discuss provisioning for loans in foreign exchange, recognition of the revaluation of structured portion of the balance sheet, convergence of the IFRS and the FSA regulations regarding definition of base for calculating provisions and derivative accounting.
- Project advisor met regularly with senior management of the FSA to discuss legal and regulatory framework of the Kazakhstan banking industry, present and emerging risks and international best practices regarding capitalization, liquidity and risk management. Project advisor reviewed all regulatory returns currently sent to the FSA and discussed with the management ways to eliminate duplications. Project advisor also met several times with BSD, DSA and IT in order to discuss the FSA readiness to support the IRDS implementation team.

2. Future activities & events

- The BSD has also requested additional support in analysis, accounting and banking risk recognition and management for newly hired analysts and on-site inspectors. Although staff retention issues at the FSA seemed to have been solved, the most

recently hired employees require additional training in order to be able to assume full responsibility for complex banking institutions in time of the crisis.

- The FSA outlined the needed assistance in the area of consolidated supervision, and requested EREC Project to consider a possibility to employ a longer term consultant to assist the agency in this area.

H. IRDS Implementation for Banking Sector

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project IRDS Implementation Team commenced work on the initiation phase of IRDS implementation in July 2009. EREC Project IRDS Implementation Advisor leads the effort.
- EREC Project Senior Banking Supervision advisor worked together with EREC IRDS Implementation advisor in the initial stage of implementation of the IRDS. The Team assisted the DSA in the preparation of input reports for the new system and supported them in mapping assets, liabilities, off balance sheet items and profit and loss. The team also helped to set up validation and cross check rules for the input reports. The team met with members of BSD, DSA and IT to discuss regular and ad hoc output reports. The team met several times with management to analyze the frequency, content and format of the output reports. The team discussed hardware specifications with the IT Department as well as training needs for full in-house support of the IRDS and training of programmers in uses and rules of Oracle programs and platform.
- EREC Senior IT Advisor had several meetings with FSA staff and identified areas where current BOSS forms and reports should be significantly improved as it currently requires substantial manual work on behalf of the FSA staff. The IRDS implementation should illuminate these significant problems in a day-to-day FSA work.
- The new FSA forms have been identified and presented in the IRDS System Requirements Specifications (SRS) appendixes. Work on the IRDS D&V Rules and IRDS Reports is in progress at this time.
- Although significant progress was made on the preparation of the IRDS SRS, it was agreed that final approval and signature would come prior to the 28th of August to allow for additional work to be performed by the FSA. This date was then postponed to October 15, 2009 at the request of the FSA.
- The draft SRS in both English and Russian have been discussed with the FSA and they are in agreement that they will continue to work toward its completion. The change management plan was initiated, but will have to be finalized once approval is given by the FSA to go forward.
- Transmission of the SRS to the development center in Mumbai was delayed by mutual agreement with the FSA and USAID. This allows the FSA to refine their requirements of a new system; however all of their requirements may not be fulfilled due to restrictions of the available funding; other requirements will be fulfilled in later phases should there be additional funding from USAID or other sources.

- EREC advisors we worked with both the functional staff and the IT staff to determine the skills set required for going forward with development. The functional staff will continue to be trained on prudential regulation and we have identified courses that the IT staff will have to master in order to maintain and update the system going forward.
- EREC Project advisors contributed to the preparation of the SRS document, the Project Management Plan and Project Budget for implementing the IRDS solution for the FSA.
- After the initial meetings the IRDS implementation team faced certain reluctance within one of the FSA's key departments in regard to the necessity of the solution and rationale for its implementation. The SRS work was put on hold for several days and a series of meetings were conducted to once again deliver the presentation of the solution to the board of FSA's management. A follow-on meeting was also held with EREC COP, which led to a number of changes in the project approach and schedule.
- A draft SRS document was delivered to the FSA on the day of advisor's departure. A separate document outlining the proposed interactions between the FSA and EREC was also developed and presented to the FSA for review. This document also clearly outlined each party's roles, responsibilities, as well as set out deadlines.
- Availability of efficient and user-friendly (without involvement of programmers) Ad Hoc reporting is one of the main FSA requirements to the system. FSA has asked EREC IRDS implementation team to provide guidance and assist with preparation of this particular section of the SRS. EREC Senior IT Advisor worked off-site in September on the first draft of the Ad Hoc reports needed for FSA. He revised the initial documents and transformed them into formal IRDS SRS paragraphs. It should be noted that not all information provided by FSA has been sufficient to make final SRS paragraphs. The technical details of the proposed Ad Hoc functionality and design provide FSA with a clear picture of how their functional requirements will be implemented in FSA IRDS whenever provided information is sufficient.

2. Future activities & events

- EREC Project IRDS Implementation Advisor will need to return to the FSA to retrieve the completed and signed SRS and to review / delete any requirements that have been included that are outside the scope / budget of this engagement. There will be the opportunity for additional phases to review / implement these requirements should funding become available.
- Once the SRS has been signed off the advisor will travel to Mumbai to present it to the IT development center to begin configuration of the software for the FSA. The development should take approximately 8 weeks after which a team from the FSA will travel with the advisor to Mumbai to have hands on training on both the functional and IT aspects of the IRDS software. The FSA team will then return to Kazakhstan with the Mumbai development team for installation and testing. Final installation and close out of this phase is expected in spring 2010.

- EREC Senior IT Advisor anticipates more work on Ad Hoc Reports and other SRS sections. Implementation issues of Ad Hoc reporting and other SRS paragraphs will require more details on the proposed FSA IRDS implementation.

I. Monetary Policy

1. Highlights & accomplished tasks/activities against the work plan

- No activities during the reporting period

2. Future activities & events

- In 2010, the project advisor, Dr Kemme, will return to continue to train the current group in EViews, and to deliver another program to advanced staff of the National Bank.

J. Competition Policy

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project undertook a comparative analysis of training programs by three major donor organizations providing technical assistance to the Competition Protection Agency (CPA): World Bank, European Commission, and USAID in order to exclude duplication of donor efforts and on the basis of the analysis sent a summary table to the CPA to be considered by the Ministry of Economy and Budget Planning (MEBP);
- EREC Project developed a report on competition policy enforcement issues (*"Making Competition Enforcement Effective: the Case of Kazakhstan"*) to capture the following issues: (i) enforcement priorities of competition authorities and allocation of scarce resources by them; (ii) developing indicators for the targeted selection of investigations and prosecutions cases for efficient commodity markets analysis; (iii) competition performance indicators in the ex-post performance analysis; (iv) international development strategy for the CPA within the international competition organizations (ICN, UNCTAD, OECD, GCR (Global Competition Review));
- EREC Project developed a report on State aids to analyze the existing legislative provisions of the Competition Law and best international practice;
- EREC Project informed the CPA on the opportunity to obtain an OECD non-member observer status and provided assistance to draft an application for the OECD Competition Committee; the applications of all interested countries will be reviewed in late October;
- EREC Project took part in the Seminar on "Institutional and legislative aspects in competitive regulation of financial institutions: responsibility for antimonopoly legislation infringement" organized by the CPA's Center for Competition Policy Development and Advocacy (CCPDA) on 25 September, 2009, and presented international experience on competitive regulation of the financial market, also taking into account the global

economic slowdown; the USAID Competition Policy Expert's presentation was published at the CPA's website;

- EREC Project prepared a report on the economics of sector regulation to cover competition issues at sector regulated industries. A summary presentation will also be made to the CPA key officials to provide a general outline of best international practice, through the use of case studies, applied by sector regulators worldwide, and the report shall provide for more details to be used as a basis for the future development of guidelines/manual for the CPA;

2. Future activities & events

- EREC Project will make a presentation on the basics of the Economics of sector regulation and then develop a report to be further used as a manual by the CPA.
- EREC Project will provide basic advice to the Center for Competition Policy Development and Advocacy in conceptualizing the proposed Strategic program for development and protection of competition policy in the Republic of Kazakhstan for 2010-2014;
- EREC Project will undertake research and working meetings with CPA officials to reveal the objective for the proposed study-tour: results of the meetings should help the USAID Project to determine location and initiate correspondence with the host competition authority;

K. Implementation of International Public Sector Accounting Standards (IPSAS)

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project consultants held a number of working meetings to discuss the practice of moving to accrual method and information on IPSAS-accrual for the members of the Working Group as well as the heads of the structural subdivisions of the Ministry of Finance and the Centre. An analysis of the international experience on preparing financial statements in line with IPSAS, on reforming Public Accounting System was conducted.
- EREC Project conducted a 2-day training for the Ministry of Finance specialists and several members of the Working Group. The training topics included analysis of compliance of the existing practice of accounting in the public sector entities with IPSAS, introduction into assets valuation methods within IPSAS introduction. Totally 19 participants attended the training. A press-release on the training was posted on the official web-site of the MF.
- EREC Project conducted a five-day training for the Ministry of Finance specialists and several members of the Working Group. The training topics included Chart of Accounts for the Public Sector Entities, Transition table to new Chart of Accounts, Forms of Financial Statements, Totally 35 participants attended the training.
- EREC Project, Ministry of Finance and Members of the Working Group held discussions and consultations on the preliminary results of the new Chart of Accounts

development, directions for reforming the existing Chart of Accounts, based on the example of key operations on accounting, current and capital expenditures of a Public Sector Entity.

- EREC Project provided assistance by translating necessary materials into Russian and reviewing and comparing the translated version with the standards IPSAS 25, 26 of the IPSAS Implementation Guidelines.
- EREC Project consultants participated in 5-day discussions on the Chart of Accounts and Government Instructions. The Working Group included representatives of 7 Government Bodies, Ministry of Finance, Treasury, Ministry of Defense, Ministry of Education, Ministry of Agriculture, Parliament, Ministry of Internal Affairs.
- EREC Project consultants held a one-day question and answer session at the Ministry of Education with representatives of all levels of their structure ie the Ministry, Regional authority and colleges. Totally 15 specialists from the Ministry and 2 specialists from the Development Department attended the session.
- EREC Project consultants made a presentation at the Accounting in Times of Crisis Conference, held by the Ministry of Finance. Approximately 100 people were present.
- EREC Project consultants made five half day presentations for 15 representatives from Treasury, Development Department, Space Agency, National Bank and other Ministries. The topics covered were Revenue (IPSAS 9,23), Property Plant and Equipment including Revaluations and Impairment (IPSAS 17,21,26), Provisions and Contingencies (IPSAS 19), Post Balance Sheet Events (IPSAS 14) and Construction Costs (IPSAS 11). The presentations included full sets of handouts with technical points and all the required transactions (debits and credits), so they can be used as a base for future training material and as a starting point for the Chart of Accounts testing.
- EREC Project consultants provided consultations to the Development Department regarding professional accounting training.
- EREC Project provided necessary information to the members of the Working Group and to the heads of structural subdivisions of the Ministry of Finance, other line-ministries and the Center. The information included the following subjects: accrual based IPSAS, materials for analyzing the world best practices in developing the Project on Unified Accounting Policy and Regulations on organizing the accounting in state-funded institutions, world best practices in preparing financial reporting according to IPSAS, reforming the system of State finances.
- EREC Project conducted Quality review of the draft documents developed by the Centre (accounting policies, reporting forms, etc.)
- EREC Project conducted a 5-day training on methodology of developing a standard accounts correlation in budgetary institutions within the new Chart of Accounts in Kazakhstan according to IPSAS. The training covered the following topics:
 - i. Moving to the accrual-based method and major requirements on the organization of the accounting system in state institutions (within the government sector of economy)

- ii. Standard correlations on accounting of the fixed assets, intangible assets, resources, financial instruments, cash assets, investments, recognition of income and expenses, calculation, accounts receivable, liabilities, financing, accumulation of reserve,
 - iii. Standard correlations on initial recognition and appraisal, reappraisal and adjustment of the assets value.
 - iv. Standard correlations on recognition and appraisal of liabilities
 - v. Standard correlations on accrual of income and expenses
- EREC Project conducted a 5-day training on methodology of developing a accounting policies in budgetary institutions according to IPSAS. The training covered the following topics:
 - i. IPSAS 3 “Accounting policy, changes in estimated appraisals and errors;
 - ii. Reforming the system of budgetary accounting within transition to the accrual-based method and changes in the Accounting policies
 - iii. Basic provisions of the Accounting policies, prepared in accordance to IPSAS (questions and answers)

60 specialists from the MoF attended the training sessions. Information on the conducted trainings is placed on the MoF website.
- EREC Project provided consultations to the members of the Working group, Centre and Department of the MoF regarding further improvements to the project of the Chart of Accounts, methodology of developing standard correlations on major correlations, organization of effective work on developing the Accounting policies and Rules for the organization of accounting in budgetary institutions and other.

2. Future activities & events

- EREC Project will conduct a 5-day training on IPSAS related issues, which will cover the following topics:
 - i. Model corresponding accounts in the budget institutions in accordance with the new Chart of Accounts in the Republic of Kazakhstan in line with IPSAS;
 - ii. Accounting policies in the budget institutions of the Republic of Kazakhstan in line with IPSAS;
 - iii. Accounting Rules in the budget institutions of the Republic of Kazakhstan in line with IPSAS;
 - iv. Rules for preparing and submitting Financial Statements in the Republic of Kazakhstan in line with IPSAS;
 - v. Rules for preparing and submitting consolidated financial statements in the Republic of Kazakhstan in line with IPSAS.
- EREC Project will conduct a Final Quality review of the Draft New Chart of Accounts, and Quality review of the draft documents submitted by the Centre, quality control of the documents developed by the Centre;
- EREC Project will organize the documents reviews inside line ministries. This will involve designing instructions for the review, a structure for their answers and a

process for amending the documents to take into account the views expressed by the recipients.

- EREC Project will work on planning and setting up pilot Ministries so they are ready to start on 1/1/11.
- EREC Project consultants will have weekly meetings with the Vice-Minister, Director of the Department for Development of Accounting and Audit, other MF's representatives to discuss the results of the project implementation.

L. Insurance Reform

1. Highlights & accomplished tasks/activities against the work plan

- The Financial Supervision Agency outlined the area for future assistance by EREC Project. The Agency needs help of an experienced actuary in creating mortality and morbidity tables.

2. Future activities & events

- EREC identified a consultant to match FSA's selection criteria. The deployment of a consultant is planned in Q4 of 2009.

M. Assistance to National Bank

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project advisor presented to the NBK the proposed leadership development training curriculum. After additional discussions and consultations with the HR department of the NBK, advisor worked with the leadership training consultant to revise the proposed training curriculum to reflect NBK's most pressing needs. Specifically, the proposed courses were clearly separated into courses for mid-level managers and for top NBK executives (board members). The proposed courses were presented in a stepwise matter, from basic to more advanced courses reflecting the proposed sequencing. Finally, the advisor had analyzed the total number of NBK staff to be trained and designed a proposed schedule in such a way that would allow all of the mid-level and top NBK executives to attend at least one leadership course. The revised training program outline was translated into Russian and presented to the NBK's HR department.
- EREC Project advisor participated in the development of the work plan for delivering training to the Accounting Department of the NBK in accounting for financial instruments. Advisor participated in a series of meetings with the NBK and the FSA with respect to the requested training. A number of proposals were developed outlining the proposed approach to training, however the approach evolved and changed significantly in its final form. An alternative approach was agreed upon with the NBK whereby mostly off-site assistance would be provided to the NBK Accounting Department in form of detailed written responses outlining the appropriate accounting

practices and detailed entries by the EREC accounting advisor. Based on these responses, the NBK would draft a number of procedures and policy documents for its staff and for the commercial banks. It is proposed further that the NBK, assisted by EREC, will develop training materials and deliver training to its staff, as well as the staff of the FSA in accounting for financial instruments in accordance with international best practices.

2. Future activities & events

- Depending on the availability of EREC Project funds, the Project may work with the NBK promulgating the guidance on accounting for financial instruments among Kazakhstan's financial and regulatory organizations. Assistance may be provided to the NBK in institutionalizing their leadership and management training.