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Debt Management Performance Assessment (DeMPA)

Kazakhstan

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ECONOMIC POLICY AND DEBT DEPARTMENT
Sound Economics for Growth and Poverty Reduction

THE WORLD BANK

Abbreviations

AC	Accounts Committee
CBIVD	Cash Balance and Invoice Verification Division
DBP	Department of Budget Policy
DeM	Debt management
DeMPA	Debt Management Performance Assessment
DMFAS	Debt Management and Financial Analysis System
DPIs	Debt Performance Indicators
DSA	Debt Sustainability Analysis
DVP	Delivery versus Payment
ISMGCL	Integrated System for the Management of Government Claims and Liabilities
KACD	The Central Securities Depository
KASE	Kazakhstan Stock Exchange
MEDT	Ministry of Economic Development and Trade
MAFD	Macroeconomic Analysis and Forecasting Department
MoF	Ministry of Finance
MoJ	Ministry of Justice
NBK	National Bank of Kazakhstan
RBC	Republican Budget Committee
SBD	State Borrowing Department
SOEs	State Owned Enterprises
STA	Single Treasury Account
TC	Treasury Committee

Table of Contents

1. Executive Summary

A World Bank mission visited Kazakhstan from July 15–23, 2010. The team consisted of Lars Jessen (Mission Lead, Banking and Debt Management), Henry Mooney and Mizuho Kida (both Poverty Reduction and Economic Management, Economic Policy and Debt Department). The objective was to undertake a comprehensive assessment of debt management operations using the Debt Management Performance Assessment tool (DeMPA). The mission met with government officials from the Ministry of Economic Development and Trade (MEDT), various departments from the Ministry of Finance (MoF), the National Bank of Kazakhstan (NBK), the Accounts Committee (AC), Kazakhstan Stock Exchange (KASE), the National Analytical Center (NAC), and representatives of pension funds.

The DeMPA report, through its scores from “A” to “D”, provides an overview of strengths and weaknesses in government debt management in Kazakhstan, as evaluated at end-July 2010. The scores demonstrate that areas of strength clearly outnumber areas where policies and practices fall short of minimum standards for effective debt management.

Areas of strength include the legal framework, governance, and operational risk management, coordination with fiscal and monetary policies, as well as debt recording and reporting. Such strengths are impressive taking into account the relatively low debt level and modest recourse to both domestic and external borrowing.

That said, many areas displaying relatively low scores would benefit from attention and reform. This need is most pressing in the context of developing a medium-term debt management strategy, which would involve outlining the preferred composition of debt based on cost-risk analyses, and would provide guidance not only for the government’s borrowing but also for market development. However, taking into account the technical analysis and planning that is currently taking place, the development of a formal strategy based on qualitative analysis would not require much additional effort on the part of the government.

2. Background

2.1 Country Background and Recent Developments

Kazakhstan's economy grew at an average rate of 10.2% per year between 2000 and 2007, driven by high oil and commodity prices, foreign investment in the oil sector, and a rapid credit boom funded by external borrowing. Kazakhstan was hit by the financial crisis in mid-2007—earlier than most other developing countries. Banks' access to external funding ended abruptly, and later, when the crisis became global, oil prices fell sharply, FDI slowed, and recession in Russia, the major trading partner, significantly reduced external demand. Growth of Kazakhstan economy slowed to 3.3% in 2008 and 1.2% in 2009. The government responded to the crisis with large fiscal and monetary stimulus, including a US$ 10 billion Anti-Crisis Plan (10% of GDP) funded from the national oil fund in 2008–2009. The government's prudent policies during the boom years—which resulted in the large accumulation of foreign currency savings in the oil fund and very little government debt—had enabled the government to respond aggressively to the crisis without jeopardizing fiscal sustainability. In early 2010, it successfully negotiated the restructuring of the crisis-hit banking sector debt with foreign creditors for substantial write downs in the order of 60–80%.[1] While the banking sector risk remains, the country's economic outlook in the medium-term remains strong. Oil output is expected to double by the end of next decade. The economy is expected to grow at 5% in 2010, and nearly 4% a year on average between 2011 and 2015.[2]

Kazakhstan's economy is highly dependent on oil. The country receives around 60% of export earnings and 40% of government revenues from the sector. Strong increases in prices and production of oil in the last decade have resulted in a strong fiscal position of the government. The country's oil revenues are invested in the National Fund of the Republic of Kazakhstan, established in 2000. Since mid-2006, all government revenues from the sector are transferred directly to the National Fund, then a fixed nominal amount plus a percentage of the Fund's value has been transferred to the annual national budget.[3] In 2009, total assets of the Fund, mostly invested in debt securities, were around US$ 25 billion (about 25% of GDP). During 2009, substantial amounts were withdrawn by the government to finance the Anti-Crisis Plan. To restrain any further off-budgetary use of the Fund the government adopted a new rule for managing the Fund in April 2010. Under the new rule, all oil revenues are still transferred directly to the Fund but only within a fixed annual ceiling of US$ 8 billion can be transferred from the Fund to the central government budget. Any subsequent revenue shortfall would then be expected to be financed through additional borrowing or reduction in expenditures. Since the annual transfer is fixed in nominal terms, the relative share of oil related budgetary revenues is expected to decline—from around 5% in 2010 to 2–3% in 2020.

[1] According to the Financial Supervision Agency—prior to the restructuring of banking sector debt—the banking sector's non-performing loans were reaching over 26 percent of total loans on a 90-day overdue basis, while loss loans were around 30 percent of total loans, and the average capital adequacy ratio was negative at -8 percent.
[2] Kazakhstan Government's *Forecast of Social and Economic Development of Kazakhstan for 2011-2015,* August 31, 2010
[3] Before mid-2006, all government revenues from the oil sector went directly to the annual budget first and, based on some complex spending rule, the residual amount was transferred to the National Fund.

Total external debt in Kazakhstan is high at close to 90% of GDP, but over 48% of this is intra-company debt.[4] Intra-company loans—mainly between foreign oil companies and their subsidiaries—are classified as FDI but also as external debt in Kazakhstan. Excluding the FDI, the total external debt, although still high, stands at over 46% of GDP. External government and government-guaranteed debt is low at around 2% of GDP. Domestic government debt is around 8% of GDP. However, the government has large implicit contingent liabilities. The quasi-government debt—debt of State Owned Enterprises (SOEs)—is currently estimated at US$ 20 billion (20% of GDP). Pension funds also create large contingent liabilities.[5] Although the law does not oblige the government to bail out private pension funds, it does guarantee minimum inflation-indexed payouts to the members.

Capital markets in Kazakhstan are relatively small and illiquid. The stock market capitalization amounted to 55% of GDP with annual turnover of 16% of GDP. Total outstanding debt securities in the domestic market amounted to 15% of GDP, of which government securities represented 6% of GDP. The annual turnover of the government securities was less than 6% (see Box 3).[6,7]

2.2 Debt Management Performance Assessment

The Debt Management Performance Assessment (DeMPA) comprises a set of 15 debt performance indicators (DPIs), which aim to encompass the complete spectrum of government debt management operations, as well as the overall environment in which these operations are conducted. While the DeMPA does not specify recommendations on reforms and/or capacity and institution building, the performance indicators do stipulate a minimum level that should be met. Consequently, if the assessment shows that the minimum requirements are not met, this clearly indicates an area requiring attention and priority for reform.

The DeMPA focuses on central government debt management activities and closely-related functions, such as the issuance of loan guarantees, on-lending, cash flow forecasting, and cash balance management. Thus, the DeMPA does not assess the ability to manage the wider public debt portfolio, including implicit contingent liabilities (such as liabilities of the pension system) or the debt of SOEs, if these are not guaranteed by the central government.

Each DPI has one or more dimensions linked to the subject of the DPI, and each dimension is assessed separately. The scoring methodology assesses each dimension and assigns a score of either "A", "B", or "C" based on the criteria listed. The evaluation starts by checking whether the minimum requirement for that dimension has been met, corresponding to a score of "C". Meeting the minimum requirements is the necessary condition for effective performance under the dimension being assessed. If the minimum requirements set out in "C" are not met, then a score of "D" is assigned. In the cases where a dimension cannot be assessed, a score of "N/R" (not rated or assessed) is assigned. The "A" score reflects sound practice for that particular

[4] Debt figures are estimates as of mid-2010.

[5] Pension funds' assets were about 10 percent of GDP as of mid-2010, growing at 20-30 percent (in nominal terms) from the end of 2006.

[6] All figures are for 2007, before the financial crisis, to characterize the degree of capital market development in the country abstracting from the impacts of extreme global events on the market capitalization and liquidity.

[7] This compares with 87 percent in Indonesia, 160 percent in China, 200 percent in Malaysia in the same year.

dimension of the indicator. The “B” score is an intermediate score, falling between the minimum requirements and sound practices.

2.3 Summary of Performance Assessment

Performance Indicator		Score
Governance and Strategy Development		
DPI-1	1. Legal Framework	C
DPI-2	1. Managerial Structure: Borrowing and Debt-Related Transactions	C
	2. Managerial Structure: Loan Guarantees	A
DPI-3	1. Debt Management Strategy: Quality of Content	D
	2. Debt Management Strategy: Decision-Making Process	N/R
DPI-4	1. Evaluation of Debt Management Operations	C
DPI-5	1. Audit: Frequency	C
	1. Audit: Appropriate Response	D
Coordination with Macroeconomic Policies		
DPI-6	1. Fiscal Policy: Provision and Quality of Debt-Service Forecasts	A
	2. Fiscal Policy: Availability and Quality of Information on Key Macro Variables and DSA	A
DPI-7	1. Monetary Policy: Clarity of Separation between DeM and Monetary Policy Operations	C
	2. Monetary Policy: Regularity of Information Sharing	C
	3. Monetary Policy: Limited Access to Central Bank Financing	A
Borrowing and Related Financing Activities		
DPI-8	1. Domestic Borrowing: Market-Based Mechanisms and Preparation of a Borrowing Plan	D
	2. Domestic Borrowing: Availability and Quality of Documented Procedures	A
DPI-9	1. External Borrowing: Borrowing Plan and Assessment of Costs and Terms	D
	2. External Borrowing: Availability of Documented Procedures	D
	3. External Borrowing: Involvement of Legal Advisers	A
DPI-10	1. Loan Guarantees: Availability and Quality of Documented Policies and Procedures	B
	2. On-lending: Availability and Quality of Documented Policies and Procedures	N/R
	3. Derivatives: Availability and Quality of Documented Policies and Procedures	N/R
Cash Flow Forecasting and Cash Balance Management		
DPI-11	1. Effective Cash Flow Forecasting	C
	2. Effective Cash Balance Management	D
Operational Risk Management		
DPI-12	1. Debt Administration: Availability and Quality of Documented Procedures for Debt Service	C
	2. Debt Administration: Availability and Quality of Documented Procedures for Data Recording and Storage	C
	3. Data Security: Availability and Quality of Documented Procedures for Data Recording and System and Access Control	B
	4. Data Security: Frequency of Back-Ups and Security of Storage	C
DPI-13	1. Segregation of Duties	C
	2. Staff Capacity and Human Resource Management	C
	3. Operational Risk Management, Business Continuity, and Disaster Recovery Plans	D
Debt Records and Reporting		
DPI-14	1. Debt Records: Completeness and Timeliness	B
	2. Debt Records: Registry System	B
DPI-15	1. Central Government Debt Data: Statutory and Mandatory Reporting Requirements	A
	2. Public Sector Debt Data: Statutory and Mandatory Reporting Requirements	D
	3. Debt Statistical Bulletin: Quality and Timeliness	D

3. Performance Indicator Assessment

3.1 Governance and Strategy Development

DPI-1 Legal Framework

Dimension	Score
1. The existence, coverage and content of the legal framework	C

The legal framework for government debt management in Kazakhstan consists of: Section 12 in the Budget Code (2008); Resolution No. 906 "On approval of rules determining the limits over government debt and the debt of local executive bodies, and limits on the provision of government guarantees and warranties; "Resolution of the Government of the Republic of Kazakhstan from June 15, 2009 No. 906" (2009); Rules of Budget Execution and its Cash Service approved by Decree of the Government, RK# 22 (2009); Rules of Registration and Recording of Government and Government Guaranteed Loans, Loans Supported by Government Sureties, Government Guarantees and Sureties, approved by Decree of the Government, RK# 739 (2010); and Concept No. 234, "On management of State and gross external debt" (2006). The latter is a non-binding guidance note.

Section 12 in the Budget Code is the central legal document. The scope for debt is borrowings of the central government, local governments, and of the National Bank of Kazakhstan (NBK), the latter referring to securities issued for the purpose of monetary policy implementation. Furthermore, the Code covers regulation regarding issuance of State guarantees, see DPI-10.

The purposes of state borrowing are given in Article 205 as 1) funding the budget deficit, and 2) promoting the development of the domestic debt market.[8] In extension of the latter it is stated that the government can borrow to refinance debt when there are budget surpluses. While the purposes of borrowing are presented under the headline "objectives", these are not objectives stated as they are normally seen in public debt management, i.e., ensuring low cost in the medium to long term taking into account risk, but rather explanations of the purposes for which the government can borrow.

Section 12 in the Budget Code requires that the designated debt management entity 1) prepare a forecast for the coming year's borrowing (including annual debt service) and issuance of guarantees; 2) evaluate debt against the limit for outstanding debt, see below; 3) implement measures to "optimize the structure of the debt and its servicing"; 4) manage risks to the debt through "diversification of instruments and markets", including use of derivatives; and 5) prepare a quarterly official publication with information on outstanding debt and guarantees (see DPI -15). Executive orders specify that the designated main debt management entity is the State Borrowing Department (SBD). Article 200 provides a list of instrument-types that can be used.

Limits on government debt are given in the budget law. The Budget Code states that borrowing takes place within limits given in the annual budget, and the procedure for calculating the debt

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[8] In article 206, in a section focusing on market development, there is a requirement to publish a regular issuance calendar.

limits is given in Resolution No. 906. The limit has the form of a formula linking the limit to the previous three years of debt service, as well as government revenues.

The legislation provides clear authorization to borrow, to undertake debt-related transactions, as well as to issue guarantees. After adjustments in 2009 to the respective roles and responsibilities of the MoF and MEDT, the former is now the authorized entity for borrowing in the name of the Republic. The borrowing purposes are clearly described, and guidance is provided as to which activities the debt management entity should undertake. The score for this dimension is "C". A higher score would require that debt management objectives are included in the legislation, and that there is a specific requirement that an annual report on debt management activities is prepared for parliament.

DPI-2 Managerial Structure

Dimension	Score
1. The managerial structure for central government borrowings and debt-related transactions	C
2. The managerial structure for preparation and issuance of central government loan guarantees	A

Two ministries are involved in public debt management: Ministry of Economic Development and Trade (MEDT) and Ministry of Finance (MoF). MEDT is responsible for institutional coordination and strategic planning concerning budgeting. It develops social and economic policy, public investment plans, and macroeconomic forecasting. Within the MEDT, the public debt management function falls under the competence of the Department of Investment Policy and Planning, which is divided between the Division of Investment Policy and the Division of Planning of Investments from External Sources. Within the MoF, the debt management function falls under the competence of the SBD, divided between three Divisions, see below for further detail.

The State Borrowing Department of the MoF is designated as the main responsible unit for debt management. It consists of three divisions, each with 5 staff:

- State External Loans is responsible for all external borrowing from bi- and multilateral sources.
- State Securities and Guarantees is responsible for all market borrowing, domestic as well as external, and issuance of guarantees. The division prepares the monthly plans for domestic borrowing, and would also be involved if the government was to issue in the international bond markets. No such issuance has taken place in the last ten years, but an international issue was considered for 2010. Currently the division is working on a framework for Sukuk or Islamic bonds.
- The Division of Government and Government Guarantee Debt is responsible for debt monitoring, assessment of current debt position, and development of planning and analytical information about borrowing and debt.

The responsibilities and organization of SBD is described in an Order of the Executive Secretary of the Ministry of Finance (2009), and the functions of the Treasury Committee (TC) are described by a Decree of the Government.

Based on detailed monthly borrowing plans provided by SBD and approved by the Minister of Finance, the TC, which is a department in the MoF, is responsible for the auctions of securities that are held by Kazakhstan Stock Exchange (KASE). TC is in charge of preparing the procedures for government securities placements in the domestic market, announcing the auctions for government securities, and making decisions on the cut-off interest rates. Furthermore, TC is responsible for registration of government loans, government guaranteed loans, government sureties, and internal credit agreements, and for execution and recording of debt repayment of the Government (both internal and external).

According to the NBK law, the central bank acts as a financial advisor to the government in the area of public debt management. Input from NBK comes through the high-level coordination committee and regular communication to the MoF.

While several entities are involved in debt management, the roles of these are well-described, and are working well in practice. However, the score for the first dimension is “C”, as there is no formal debt management (DeM) strategy guiding the activities, see DPI-3. Since all activities related to issuance of guarantees are handled in one unit within SBD, the score for the second dimension is “A”.

DPI-3 Debt Management Strategy

Dimension	Score
1. Quality of the debt strategy document	D
2. The decision making process, updating, and publication of the DeM Strategy	N/R

There is no formal DeM strategy in place at present that conforms to the standard definition of such a strategy (see Box 1 for a general description of a debt management strategy). While the authorities do point to several processes related to budget formulation and the monitoring of compliance with debt limits, these are not the equivalent of a formal debt management strategy.

The overall, implicit strategy is expressed in the medium term fiscal plans, and as such, is the responsibility of the MEDT. The current policy is to borrow externally only for investment purposes, while domestic borrowing aims to cover the budget deficit and principal payments on outstanding debt. However, there have been exceptions to this guideline—e.g., the 2009 Countercyclical Support Loan from the Asian Development Bank and the 2010 Development Policy Loan from the World Bank.

The SBD prepares annual borrowing plans, which are updated every six months. Currently, planned domestic borrowing is apportioned equally between four maturity buckets (see DPI-8 on domestic borrowing).

As discussed under DPI-1, while the legal framework is quite detailed as to the functions and responsibilities of the entities involved in debt management, there is no specific statutory requirement to develop a formal debt management strategy, and no such strategy is in place. Therefore, the minimum requirements for this indicator have not been met, warranting a score of "D". Since no strategy is in place, the second dimension on the decision making process for the strategy is not rated.

BOX 1. DEBT MANAGEMENT STRATEGY /1

In order to meet a country's long-term objectives, which should ideally include contracting debt at the minimum risk and lowest cost, the country should prepare and publish a Debt Management Strategy (DMS). A strategy document should include the following:

- the historical context of the debt portfolio (e.g., its evolution over time);
- a detailed breakdown of the structure and composition of the existing portfolio;
- a description of the market risks being managed (currency, interest rate, and refinancing or rollover risks);
- a description of the future environment for debt management, including fiscal and debt projections; assumptions about interest and exchange rates; and, constraints related to portfolio choice, including those relating to market development priorities and the implementation of monetary policy;
- a description of the analysis undertaken to support the recommended debt management strategy, clarifying the assumptions used and the limitations of the analysis; and,
- a recommended strategy and its rationale.

The strategy should provide analysis of the major risk indicators. Risks that should be assessed include the following:

- total debt service under different scenarios, particularly sensitivity to interest and exchange rates;
- the maturity profile of the debt under different scenarios; and,
- strategic benchmarks, such as:
    - the currency composition of foreign and (if applicable) domestic currency debt;
    - the maximum average maturity of the debt;
    - the maximum share of short-term to long-term debt;
    - the maximum share of floating-rate to fixed-rate debt; and,
    - the minimum average time to interest rate re-fixing.

/1 For more detail regarding debt management strategies and related analyses, see the DeMPA Guide: http://go.worldbank.org/4VX651FHB0, and the Medium Term Debt Management Strategy (MTDS) Guidance Note: http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:21718429~menuPK:4876316~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html

DPI-4 Evaluation of Debt Management Operations

Dimension	Score
1. Level of disclosure—in an annual report or its equivalent—of government DeM activities, central government debt, evaluation of outcomes against stated objectives, and compliance with the government's debt management strategy	C

In the absence of a DeM strategy, no evaluations or reports on strategy compliance are produced. Regarding other reports on DeM activities, annual budget reports include a discussion of debt management activities undertaken during the previous year, including the evolution of central and local government debt (e.g., stocks and flows), and information on projected financing and aggregated state and central government borrowing (not including quasi-public entities) over the medium-term horizon. This document is submitted to Parliament and is made public. Annual reports of the Accounts Committee (AC) outline financial audits of the government's activities, including debt management activities, which are submitted to Parliament. The AC also undertakes performance audits of selected departments every second year, and the last performance audit of debt management functions was finalized in 2005 (see DPI-5 for detail), which was also submitted to Parliament, but not made public. The SBD has produced detailed reports regarding public borrowing and debt dynamics at the request of the Republican Budget Committee (RBC) and Parliament, which are not made public, particularly in the wake of the recent financial crisis. However, beyond the budget document, there is no additional mandatory annual reporting to Parliament regarding DeM activities. The SBD also produces quarterly debt bulletins, which report on the stock of government debt, including central and local governments, as well as NBK, debt broken down by category (see DPI-15 for detail).

Thus, while mandatory budgetary reporting warrants a score of "C", the development of a DeM strategy and subsequent evaluation of DeM operations relative to the strategy would be required to improve the score.

DPI-5 Audit

Dimension	Score
1. Frequency of internal and external audit of central government debt management activities, policies, and operations, as well as publication of external audit reports	C
2. Degree of commitment to address the outcomes from internal and external audits	D

The AC is the supreme audit organization of Kazakhstan responsible for carrying out external audits of the government's DeM activities. It conducts annual audits of the execution of the Republican budget and biennial audits of the effectiveness of the government and quasi-government agencies.[9] The audits cover three key aspects: (a) monitoring compliance with laws and regulations governing the execution of the Republican budget, (b) reviewing integrity of the financial accounts and reporting, and (c) evaluating effectiveness of the activities and operations of the government and quasi-government agencies with respect to objectives and strategic plans of the central authorities. Thus, the AC conducts both financial and performance audits. The last financial audit of DeM activities was in 2009 as part of the annual audit of budget execution, and the last performance audit of DeM activities was in 2005. The audit report is submitted to the

[9] The Accounts Committee consists of a Chairman and 8 other members. It has a staff of about 110 people. The Chairman is appointed by the President for a five-year term. There is no limit for the number of terms the Chairman can serve. Of the 8 members of the Accounts Committee, 2 are appointed by the President, 3 by the lower house of the Parliament (the Majilis), and 3 by the upper house (the Senate). The staff members consist of experts from different disciplines (law, accounting, economics, etc.) with average experience of about 7 years. Most of the staff members have a civil service background.

Parliament for discussion and approval before it is submitted to the President. The report is made public shortly after the completion of the report by the Accounts Committee and before the discussion of the report in the Parliament. The AC feels there is strong commitment from the government and the respective DeM agencies to address observations and outcomes from these external audits.

Internal Audit Division (IAD) of the MoF is responsible for financial and performance audits of operations of the SBD.[10] This is done according to an annual plan for the given fiscal year approved by the Minister, and not at regular intervals. As of now, there has been no internal audit of the DeM activities. The audit reports (referred to as the "opinions") are submitted to the Minister. Each Department receiving an audit opinion is required to respond within one month from the submission of the opinion, indicating the actions taken to address the recommendations of the audits.

The first dimension scores "C", as the external performance audit has been conducted within the past 5 years. A higher score would require an annual internal performance audit. The second dimension scores "D". Although there appears to be a strong commitment by the government and the relevant decision makers to address the outcomes of the external audits, a higher score would require that there has been an internal performance audit of DeM activities.

3.2 Coordination with Macroeconomic Policies

DPI-6 Coordination with Fiscal Policy

Dimension	Score
1. Coordination with fiscal policy through the provision of accurate and timely forecasts on total debt and debt service under different scenarios	A
2. Availability of key fiscal variables and/or an analysis of debt sustainability, and the frequency with which debt sustainability analysis is undertaken	A

The SBD plays a critical role in the assessment of macroeconomic and market variables that underpin the budget's central forecasts, as well as in assessing the consistency of proposed budget parameters and financing assumptions with statutory limits for public indebtedness.[11] In this context, the SBD is the government agency mandated to monitor compliance with such

[10] According to the Item 4 of Article 137 of the Budget Code, the IAD "performs internal state financial control in accordance with the plan approved for the corresponding fiscal year. Ad hoc control shall be performed upon instructions or requests of the President of the Republic of Kazakhstan, Government of the Republic of Kazakhstan, relevant authorized government authorities, and requests by MPs and appeals, complaints and applications of individuals or legal entities." According to the Item 1 and 2 of Article 146 of the Budget Code, it also "exercises internal control in the areas of activities of the government … with a view of improv[ing] quality and efficiency of its operations"; "assesses management systems… [and] implementation of strategic plans"; and "reports on … findings and recommendations for improving internal procedures, rules and processes in the government … with a view to improve its efficiency, achievement of outputs and outcomes of its operations."

[11] Limits for public indebtedness outlined in: *"Resolution of the Government of the Republic of Kazakhstan from June 15, 2009 № 906" (translation)*

limits (e.g., Statute of the Sovereign Debt Department (2009)), and can request modifications to the budget and related forecasts to ensure that such limits are not breached.[12]

The MEDT's Macroeconomic Analysis and Forecasting Department (MAFD), which is responsible for developing the macroeconomic forecasts that underpin the budget, provides the MoF's Department of Budget Policy (DBP), which is responsible for coordinating the budget formulation process, with several 5-year forecast scenarios (approximately 5-6), with one identified as the central or baseline scenario. The DBP, the MoF's Revenue Department, and the SBD then jointly review the proposed macroeconomic assumptions and forecasts, which will ultimately form the budget's medium-term baseline forecast. The SBD provides an opinion regarding these projections and their assumptions, particularly those within its areas of expertise—e.g., domestic market conditions. More broadly, there is also more frequent interaction as needed between the SBD and the TC and MEDT with respect to domestic and external borrowing decisions, though these do not take place in the context of formal inter-agency committees.

For the purpose of budget formulation, the SBD is required to provide medium-term central government debt service forecasts to the DBP prior to the annual medium-term budget exercise, and the two mid-year updates. These forecasts are based on data regarding existing domestic and external debt generated by the SBD's debt database, the Integrated System for the Management of Government Claims and Liabilities (ISMGCL), and input from line ministries implementing debt-financed programs and projects regarding forecast disbursements.

Considerable analysis is undertaken by the SBD regarding risks to the forecasts provided by the MEDT for budget preparation. In this context, the SBD prepares a series of 3 alternative debt service scenarios for each of the 3 macroeconomic scenarios provided by the MEDT for budget formulation, which are then discussed with the DBP prior to finalization of the budget's baseline forecast. These alternative projections include both optimistic and pessimistic scenarios.

The SBD's Debt Monitoring Division undertakes quarterly analyses of the impact of various alternative scenarios on central government debt, which are required as part of the SBD's monitoring mandate. These analyses are based on a methodology developed by the government, which includes the assessment of existing and projected borrowing and debt dynamics under alternative macroeconomic (e.g., growth, inflation, interest rate, exchange rate) and financing scenarios over a three- to five-year horizon. While this methodology is not based on the methodology that underpins the joint IMF and World Bank Debt Sustainability Analysis (DSA) framework (see Box 2), it does provide a robust and comprehensive framework for assessing the impact of potential changes in macroeconomic and market variables on debt and fiscal outcomes. It should be noted that the DSA-like analyses are undertaken regularly, even though public debt levels are relatively modest.

[12] For example, the SBD recently recommended that the Department of Budget Policy revise its preliminary medium-term budget deficit target downwards (by about 1.5 percent of GDP), in order to comply with broader governmental objectives regarding public indebtedness.

BOX 2. STANDARD DSA STRESS TESTS AND SHOCK SCENARIOS /1

The World Bank and IMF have developed a standard methodology for assessing debt sustainability in both low-income and market access countries. This methodology is also used by other multilateral financial institutions, including the Asian Development Bank and African Development Bank, for the determination of lending parameters and macroeconomic assessments.

Common to these frameworks is the development of standard stress tests and combined shock scenarios, which are applied to baseline borrowing, macroeconomic, and market assumptions. While their scope and structure vary from country to country, DSAs for market access countries generally include the following standard assessments:

- A "historical" scenario, depicting future debt dynamics when key macroeconomic and policy variables remain constant relative to historical performance (e.g., over the past 10 years);
- A "no policy change" scenario, showing debt dynamics under the country's current policies projected into the future; and,
- Systematic stress tests and shock scenarios reflecting individual and combined changes in macroeconomic and market variables of a specified magnitude (e.g., a one-half standard deviation shock to current estimates of interest and exchange rates).

/1 For a detailed discussion of the methodology and stress tests associated with the market access country DSA framework, see: http://www.imf.org/external/pubs/ft/dsa/mac.htm

Alternative macroeconomic scenarios used for these analyses are based on scenarios developed by the MEDT's MAFD. One of the main objectives of these analyses is to monitor compliance with the government's mandated fiscal and debt limits, and key debt sustainability ratios are outlined as part of this exercise—e.g., central government debt relative to GDP, revenues, exports, etc. These assessments are prepared for ministers and vice-ministers, and are shared with other government agencies. They also help to inform the SBD's input regarding the budgetary process—e.g., comments regarding the MAFD's macroeconomic assumptions and scenarios and the DBP's proposed budget parameters. However, these analyses do not consider the liabilities of quasi-sovereign entities, which, if included, would improve the comprehensiveness of the analysis.[13] The SBD also produces long-term forecasts of debt stocks, which are outlined in internal reports provided to other units of the MoF and the NBK for their use and information. None of these assessments or forecasts is made publically available.

In summary, policies and procedures related to both budget formulation and fiscal policy coordination in Kazakhstan are very well developed. The SBD is providing input at all stages of fiscal policy development, including government debt service forecasts and alternative scenarios, warranting a score of "A" for the first dimension. The production of robust and comprehensive assessments of debt sustainability on a quarterly basis warrants a score of "A" for the second dimension.

[13] While including the liabilities of quasi-sovereign entities as potential contingent liabilities of the government would yield important insights regarding potential fiscal risks, the joint IMF-World Bank DSF for Market Access Countries stipulates that the DSA's definition of the public sector should be consistent with that used for budget formulation. At present, Kazakhstan's budget does not include the financial activities of such entities.

DPI-7 Coordination with Monetary Policy

Dimension	Score
1. Clarity of separation between monetary policy operations and DeM transactions	C
2. Coordination through regular information sharing on current and future debt transactions and the central government's cash flows with the central bank	C
3. Extent of the limit to direct access of resources from the central bank	A

The NBK implements monetary policy through issuance of its own securities. An informal agreement between NBK and MoF implies that NBK does not issue longer maturities than one year, whereas the MoF does not issue in maturities shorter than one year. In its role as financial advisor to the government, NBK provides input and advice on issuance policies, including external market borrowing. The advice comes through letters from the Governor to the Minister of Finance. No formal agency agreement between the government and NBK outlining their respective roles in government debt management is in place.[14]

A Single Treasury Account (STA) system is in place. The government keeps all its cash at NBK, and does not have accounts in the banking system. NBK pays the government a fixed interest rate of 0.5% on its balance, and transfers net profits to the government with a lag of one year. According to the NBK law, Article 24, NBK is not allowed to fund the government, i.e., overdrafts are prohibited. There have been no examples after the implementation of the NBK law where this has been breached. Monthly cash flow forecasts for the government on a daily basis are prepared by the TC in the MoF, and shared with NBK. Information on expected debt service one month ahead is provided to NBK by TC.

Since NBK is implementing monetary policy using its own instruments, and since NBK does not have any role in the issuance of government securities, monetary policy operations are clearly separated from DeM operations. However, a higher score than "C" would require a formal agency agreement between the government and NBK outlining the roles of NBK as a financial agent. The second dimension scores "C". A higher rating would require more frequent exchange of information on debt service than is currently the case (monthly). The score for the third dimension, access to funding from the NBK, is "A", in line with sound practice, since overdrafts are prohibited, and there have been no examples of breaching of Article 24 of the NBK law.

[14] The World Bank team was informed that there is a General Agreement dated June 6, 2005 between the Ministry of Finance, acting as an Issuer, and the National Bank, acting as a General Financial Intermediary, according to which the General Financial Intermediary would act as financial advisor to the issuer on in-country borrowings. This agreement is not a public document

DPI-8 Domestic Market Borrowing

Dimension	Score
1. The extent to which market-based mechanisms are used to issue debt, the publication of a borrowing plan for T-bills and T-bonds, and the preparation of an annual plan for aggregate amount of local currency borrowing in the domestic market, divided between the wholesale and retail markets	D
2. The availability and quality of documented procedures for local currency borrowing in the domestic market	A

The MoF issues securities in the domestic market for the purpose of covering the funding need, and to support market development (the Budget Code, Article 205). Securities with maturities between 1 and 20 years are issued at electronic auctions held by KASE. Government securities are not re-opened after the initial issuance, and there are currently approximately 135 individual securities outstanding. All members of the stock exchange can bid at the auctions. The main part of the borrowing is in nominal fixed interest rate bullet bonds, and inflation-indexed bonds are issued for pension funds. The latter securities are issued at auctions where only pension funds or brokers representing pension funds can participate. While the price at issue for these securities is market determined, they can only be traded freely in the market when half of the original maturity period has expired. The securities can be traded among the pension funds throughout the life of the bonds, but are typically held to maturity.

There is an informal agreement between the MoF and the NBK that the MoF does not borrow in maturities less than one year, and that NBK does not issue securities for monetary policy purposes with maturities longer than one year, see DPI-7.

The SBD prepares an annual borrowing plan for the planned issuance on a monthly basis with a break-down into categories of securities in maturity buckets,[15] but does not provide information on an instrument-basis. The plan is issued late December, and updated in the middle of the year.

Secondary market turnover is very modest.[16] Detailed descriptions of the government securities, coupon dates and calculations, auction rules etc. are available on the website of KASE. All members of the stock exchange can participate in the auctions.

The score for the first dimension is "D". The indicator calls for the publication of a borrowing plan that contains issue dates and instruments. The current borrowing plans contain information for planned issuance on a monthly basis, while instrument-information is only provided on an aggregate level.[17] However, with relatively minor adjustments to current practices, the score

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[15] 1 year (MEKKAM), 2-5 years (MEOKAM), 6-12 years (MEUKAM), and over 12 years (MEUSKAM).

[16] The official numbers from KASE on market turnover show that the activity in the secondary market is approximately equal to that of the primary market. However, while some pension funds bid directly at the auctions, others go through a bank (within the same financial group).

[17] In this regard, the authorities informed the team after the mission that in 2011 the MoF plans to update the government issuance plans with additional information, including: dates of initial and repeated auctions, types of government securities, maturities, and volumes. These issuance plans will be adjusted in line with evolving market conditions and budgetary updates.

would be substantially higher ("A" or "B"). The second dimension is scored "A", since all relevant background materials and procedures are available on the website of KASE.

DPI-9 External Borrowing

Dimension	Score
1. Degree of assessment of the most beneficial/cost-effective borrowing terms and conditions (lender or source of funds, currency, interest rate, and maturity)	D
2. Availability and quality of documented procedures for external borrowings	D
3. Availability and degree of involvement of legal advisers before signing of the loan contract	A

At present, external borrowing includes only loans, primarily from official creditors (see Background section for detail). While the government has not issued external debt since the 1990s, new international bond placements were considered for 2010.

The government is currently in the process of finalizing new legislation that would permit the issuance of Sukuk, either domestically or in foreign markets.

While there are specific limits related to overall central government debt, there are no specific guidelines or limits with respect to the grant element and concessionality of external borrowing. Line ministries put forward project and financing requests to the MEDT, which assesses, prioritizes, and approves related projects and financing sources. When external market borrowing is initiated, the State Securities and Guarantees Division would be the department within SBD responsible for related assessments and proposals to the Minister.

As mandated[18], the SBD's State External Loans Division produces annual reports reflecting budgeted external financing at the end of the fiscal year, preceding the budget preparation process. These reports focus on a forecast of external borrowing over the medium-term in line with the government's investment program, with both aggregated debt service data and forecasts of individual loan service, reflecting existing debt and disbursement commitments. However, these reports do not constitute a borrowing plan, as they do not contain an assessment of the most cost-effective terms and conditions obtainable from potential external creditors. While the utility of a borrowing plan and related assessments are limited at present by the government's relatively small external financing needs, the prospect of increased external borrowing and the potential use of external market financing would render the development of a formal borrowing plan underpinned by a DeM strategy critical to sound debt management (see DPI-3 for further discussion).

The SBD is mandated to coordinate and lead negotiations with external creditors, along with representatives of the relevant line ministries and legal advisors from the Ministry of Justice (MoJ). The MoJ's legal advisors do have specific expertise in the area of international agreements, and are involved at all stages of the negotiation process. There are detailed guidelines reflecting the procedures for external borrowing, including regarding negotiation, ratification, and the recording of external loans.

[18] See Budget Execution and Cash Provisioning Rules (Guidelines), paragraph no. 599 for detail.

At present, formal terms sheets[19] are not prepared during or after negations of new external credits. Staff of the Debt Monitoring Division is responsible for entering data regarding new external borrowing into the debt recording system. The chief of the division is responsible for validating this data, as per the responsibilities set out in formal job descriptions.

In summary, while annual reports on external borrowing are produced, they do not constitute formal borrowing plans with assessments of the most beneficial terms and conditions available from external sources. Thus, the minimum requirements have not been met for the first dimension. While the external borrowing procedures appear sound, and guidelines for external borrowing do exist, no formal terms sheets for new external borrowing are produced during or after the conclusion of new external loan negotiations. Thus, the minimum requirements for the second dimension are not met. Finally, given the involvement of legal advisors at every stage of the negotiation process, practices exceed minimum requirements for third dimension, warranting a score of "A".

DPI-10. Loan Guarantees, On-lending, and Derivatives

Dimension	Score
1. Availability and quality of documented policies and procedures for approval and issuance of central government loan guarantees	B
2. Availability and quality of documented policies and procedures for on-lending of borrowed funds	N/R
3. Availability of a debt management system with functionalities for handling derivatives, as well as availability and quality of documented procedures for the use of derivatives	N/R

The policies for provision of state guaranties can be found in the Budget Code, Section 12. The amount of guarantees that can be issued is limited in the annual budget, with the limit set by MEDT and formally approved as part of the budget. The State Securities and Guarantees Division of the SBD is responsible for evaluating guarantee-applications, and for issuing the guarantees. The evaluation is based on the Budget Code and internal procedures.

Article 216 of the Budget Code lists the requirements for receiving a guarantee, among those, a bank guarantee.[20] If the receiver of the guarantee is a company owned by the government, an upfront fee of 0.2% of the guaranteed amount is paid. For other entities the fee is 2%. The fees are fixed and not linked to the assessment of risks. In 2009 the limit for guarantees was 60 billion tenge, but only one guarantee to the amount of 7.2 billion tenge was issued. As of July 1, 2010,

[19] For more detail regarding the structure and contents of terms sheets, see the DeMPA Guide: http://go.worldbank.org/4VX651FHB0

[20] Article 216 of the Budget Code states that the recipient of a guarantee must "have a guaranteed second-tier bank or an insurance contract to satisfy the requirements of security for the repayment of loans by the central competent authority for implementing the budget in coordination with the competent authority exercising control and supervision of financial markets and financial institutions".

government guaranteed debt and debt under government sureties was 95 billion tenge, or approximately US$ 644 million.

There is no outstanding portfolio of on-lent loans, and the legal framework does not cover such transactions.

While Article 203 of the Budget Code mentions the use of derivatives as a tool for risk management, derivatives have never been used, and are not listed as an instrument in Article 200.[21]

The score for the first dimension is "C". While documented procedures for issuing guarantees are in place, higher scores would require clear guidelines stipulating that credit risks be assessed prior to the approval of each guarantee, as well as the methodology for these assessments. The highest possible score for this dimension would also require that a fee be applied to each guarantee reflecting its underlying credit risk, along with continuous monitoring of such risks throughout the life of the guarantee. Dimensions two and three are not scored, since on-lending and guarantees are not used in debt management in Kazakhstan.

3.3 Cash Flow Forecasting and Cash Balance Management

DPI-11 Cash Flow Forecasting and Cash Balance Management

Dimension	Score
1. Effectiveness of forecasting the aggregate level of cash balances in government bank accounts	C
2. Effectiveness of managing the aggregate cash balance in government bank account(s), including the integration with the domestic debt borrowing program	D

The TC's Cash Balance and Invoice Verification Division (CBIVD) is responsible for cash forecasting and cash management functions. In this context, every month it produces daily cash flow forecasts over a 30-day horizon, which are updated daily to reflect actual developments with respect to receipts and payments. The CBIVD receives daily statements from the NBK on the actual cash balances in the STA. Thus, practices warrant a score of "C" for the first dimension. Weekly updates of the cash flow forecast would be required to improve the score.

Surplus balances in the STA are remunerated at a fixed rate of 0.25% per annum by the NBK, and no active management of cash balances takes place. While there is no overdraft facility available from the NBK, there are no specific targets for the minimum cash balances held within the STA. While the government feels that it would be unlikely that the STA could be overdrawn because both central and subnational government cash is held within the account, practices do not meet the minimum requirements for the second dimension.

3.4 Operational Risk Management

DPI-12 Debt Administration and Data Security

Dimension	Score

[21] If derivatives were used, a score would be assessed for the third dimension.

1. Availability and quality of documented procedures for the processing of debt service	C
2. Availability and quality of documented procedures for debt data recording and validation, as well as storage of agreements and debt administration records	C
3. Availability and quality of documented procedures for controlling access to central government's debt data recording and management system	B
4. Frequency and off-site secure storage, secure storage of debt recording and management backups	C

SBD initiates the process of debt service payments by sending a detailed list of interest and principal payments in the coming month to the TC. Here, the list is checked with creditor notices for the external debt and with information from the KASE for domestic debt, and approved by the Vice Minister of Finance, before being paid on due date. In the event there are any discrepancies, the TC will discuss the deviations with the creditors. The payment orders are finally sent to the NBK, which makes the payments from the government's account. The roles of the parties involved in the process are described in the detailed job descriptions that cover all employees in the MoF.

The Debt Monitoring Division of SBD is responsible for debt recording. Data entry is based on copies of the original loan documents, and for domestic debt, information from KASE. The debt recording system is ISMGCL. See DPI-14 for a more detailed description of the system.

A set of official rules guides data entry, and there are specific guidelines for individual loan types, including the maximum time between receiving loan information and entry into the system. The loan types are divided among the staff of the Debt Monitoring Division, and all data entries are checked by the head of the division, and subsequently by the head of the SBD. The head of the Debt Monitoring Division controls access to the system, and can, through passwords, control access to specific parts of the system. There are documented procedures for data entry and system access in place, and these are updated regularly and frequently. While there are very extensive control procedures in place, the system does not include audit trails that would allow monitoring of all activities in the system.

The debt recording system is backed up monthly, with the General IT Department of the MoF responsible for back-ups and data storage. The team was informed that back-ups of the database are kept in a separate and safe location (see DPI-13 for further information). Original physical external loan documents are maintained by the Foreign Ministry, which archives all foreign treaties. The KASE maintains records related to domestic debt.

The score for the first dimension is "C". While all the required control procedures are in place, electronic payment orders would need to be in place for a higher score. The second dimension, documented procedures for debt recording and validation, is also scored "C". A higher score here would require regular updating of the procedures manuals. The third dimension, on the control of access to the system is scored "B". A score of "A" would require that the debt recording system produce audit trails, which is not the case with the current system. The last dimension, on data storage and system back-ups, the score is “C”. A higher score here would require that the system is backed up weekly rather than monthly.

DPI-13 Segregation of Duties, Staff Capacity, and Business Continuity

Dimension	Score
1. Segregation of duties for some key factors as well as the presence of a risk monitoring and compliance function	C
2. Staff capacity and human resource management	C
3. Presence of an operational risk management plan, including business-continuity and disaster-recovery arrangements	D

There is a clear separation of responsibilities between key DeM functions within the SBD in the MoF. State Securities and Guarantees division is responsible for domestic debt issuance and government guarantees. State External Loans division is responsible for all external borrowing from bilateral and multilateral sources. Debt Monitoring Division is responsible for debt recording as well as risk monitoring and compliance of all government debt management transactions. The TC is responsible for arranging payments for government debt and debt-related transactions (as described in DPI-12).

There is sufficient and well trained staff to carry out the key DeM functions. The SBD has 15 staff members, equally divided among the three Divisions.[22] The staff members have 2 to over 10 years of experience, with average years of experience about 4–5 years. Staff turnover is said to be moderate. Job descriptions for each staff member exist and these are periodically updated to reflect changes in responsibilities of the staff members and tasks assigned to the division. There is a code of conduct in the MoF which each staff member is required to sign. The code of conduct was last updated in 2005. Each staff member has an annual training and development plan, but there is no annual performance assessment.

The staff of the SBD that the mission met with during discussions was not aware of any written business-continuity or disaster-recovery plans. However, the mission team was subsequently informed that a separate entity within the government did maintain special procedures for “abnormal situations.” Nevertheless, that operational staff was not aware of these procedures or their existence suggests that they do not meet the test of an appropriate framework for operational risk management.[23]

The first dimension scores “C”. There is a clear separation of responsibilities between key DeM functions within the SBD. Within the Debt Monitoring Division there are different staff members entering data and checking data. However, a higher score would require that these staff members do not belong to the same division but are “organizationally separate.” The second dimension scores “C”. There is a recently-updated code of conduct guideline but it does not specify how

[22] The Treasury Committee (Division of Cash Management, Analysis and Reconciliation of Accounts) has 16 staff members.

[23] The mission was told at the wrap-up meeting with the senior management of the MoF that there was a documented business continuity and disaster recovery plan (order of the Ministry of Finance of Kazakhstan dated 23.04.2008), and a recovery site at a separate location (fire-proof, safe against flooding, etc). However, such information was confidential, and under the jurisdiction of a separate department responsible for security matters.

staff should behave in potential conflict-of-interest situations such as operating in the financial markets or dealing with financial institutions. A higher score would require a regularly-reviewed and updated conflict-of-interest guideline as well as the code-of-conduct guideline. The third dimension scores “D” since the operational staff of the SBD interviewed was not aware of the existence of a business-continuity or disaster-recovery plan or related procedures.

3.5 Debt Records and Reporting

DPI-14 Debt Records

Dimension	Score
1. Completeness and timeliness of central government debt records	B
2. Complete and up-to-date records of all holders of government securities in a secure registry system	B

The Debt Monitoring Division of the SBD is responsible for maintaining the central government’s debt database and recording system (ISMGCL). The system is housed on the SBD (MoF)’s premises and managed by SBD staff (see DPI-12 for detail).

The system was developed by the government, and is based on an Oracle software platform. While UNCTAD’s Debt Management and Financial Analysis System (DMFAS) was used from 1995 through 2000 for debt recording, technical problems, a lack of flexibly with respect to customization, and the burdensome logistics of arranging training on the DMFAS system compelled the government to develop its own system. The current database includes complete and current records regarding central and local government domestic and external debt, as well as data on guarantees issued by the central government. There are currently no on-lending or derivatives transactions undertaken by the government.

The system is used to produce debt service projections, and is updated daily with market variables, including daily exchange rates. The projections can be customized based on alternative assumptions regarding exchange and interest rates in the future.

Original physical external loan documents are maintained by the Foreign Ministry, which archives all foreign treaties. The KASE maintains records related to domestic debt. The TC and SBD have copies of these documents. The Treasury Committee also maintains records of creditor invoices and payment receipts, and is responsible for initiating payments via the NBK, the verification of creditor invoices against cash flow forecasts, and for following up with creditors if any discrepancies arise, in consultation with the SBD.

The SBD’s internal guidelines require all debt data to be entered into the system and validated within 10 working days of receiving the information. For new external loans, since the SBD is responsible for leading all negotiations, information is available immediately, as is the case for domestic debt. However, confirmation regarding disbursements from line ministries, and payments on outstanding domestic and external debt from the KASE and the TC, respectively, may take up to one month to reach the SBD. Thus, debt data are entered into the system and verified within 10 days following the end of the month for transactions on existing debt, and within two weeks for new external loans.

The Central Securities Depository (KACD) is the authorized depository for securities issued by MoF, NBK, and local executive bodies, and serves as the registry as well as paying agent for servicing outstanding securities. Delivery versus Payment (DVP) principles are applied. The main shareholders of KACD are the NBK (49.8%) and KASE (38.7%), while the remaining shares are held by banks and brokerage firms. Securities are registered electronically in a system specially developed for KACD. There are up-to-date and secure records of all holders of government securities. In late 2008 Deloitte performed an external audit on processes and procedures, including the compliance of the information held in the registry. Out of this exercise came a set of recommendations for reforms that has been implemented in the meantime. A follow-up audit by Deloitte is underway, and a system of regular 3-yearly external audits is currently being considered. An internal audit function is under establishment.

In summary, there are complete debt records within a two-month lag for central government debt and guarantees, warranting a score of "B" for the first dimension. The score for the second dimension regarding the registry system is "B", since there is no annual audit of the system.

DPI-15 Debt Reporting

Dimension	Score
1. Meeting of statutory and contractual requirements of central government debt to all domestic and external entities.	A
2. Meeting of statutory and contractual reporting requirements for total non-financial public sector debt and loan guaranteed to all domestic debt and external	D
3. Quality and timeliness of the publication of a debt statistical bulletin (or its equivalent) covering central government debt	D

The SBD prepares and provides debt data to multilateral partners, including the IMF and World Bank. The IMF reports that the government provides adequate data regarding external debt within 4 weeks of the reporting deadline (end of the quarter). The authorities also meet the World Bank's reporting requirements related to the Debtor Reporting System (DRS), within 4 weeks of the end of the reporting period. All statutory reporting requirements are being satisfied.

One shortcoming related to debt reporting in Kazakhstan relates to the lack of information and reporting regarding total non-financial public sector debt, which includes SOEs.[24] At present, this information is not published or provided to the IMF or World Bank, either via regular reporting or in response to ad hoc requests.

The SBD produces quarterly debt bulletins, which are posted on the MoF website within 25 days of the end of each quarter. These bulletins report on the stock of central and local government debt, as well as NBK debt broken down by category. For the central government, categories include external, domestic, and guarantees. External debt is broken down by individual official creditor, with borrowing from foreign commercial banks aggregated into one category. Domestic debt is broken down by maturity category. For the NBK, both external and domestic debt is reported, without detail regarding creditors or the maturity profile. For state governments, categories include debt to the central government and other liabilities. For central government

[24] For further information on standard reporting of government statistics, see the IMF's 2001 Government Financial Statistics Manual: http://www.imf.org/external/pubs/ft/gfs/manual/index.htm

guarantees, only aggregate external and domestic stocks are outlined. All stocks are provided in both tenge and USD. However, these bulletins do not include information regarding the residency classification of domestic investors (aggregated), the interest rate basis or residual maturity of domestic instruments, debt flows (principal and interest payments made over specified periods), and/or overall debt ratios or indicators. This information is, however, readily available to the SBD, and some of this data is provided in different reports that are currently being produced (for internal use), suggesting that future bulletins could easily be updated.

In summary, the government meets its statutory debt reporting requirements, as well as its contractual obligations to the IMF and World Bank within one month of the reporting period, warranting a score of “A” for the first dimension. For the second dimension, the lack of reporting on total non-financial public debt—particularly the debt of the SOEs—prevents the authorities from meeting the minimum requirements for this dimension. While a debt statistical bulletin is produced on a regular basis, it does not include several categories of information required to meet or exceed the minimum requirements for the third dimension.

Annex 1: Meetings

Date	Organization	Names	Location
Thursday, July 15			
	World Bank Country Office in Kazakhstan	Ms. Sebnem Akkaya, Country Manager; Mr. Ilyas Sarsenov, Economist	Astana
	Ministry of Finance, State Borrowing Department	Mr. Kuat Akizhanov, Department Director; Ms. Altyn Tenizbayeva, Deputy Director	Astana
	Ministry of Economic Development and TRADE, Investment Policy Department	Mr. Baurzhan Tortayev, Department Director; Mr. Gabit Shaikin, Deputy Director; Mr. Nyrum Ayazbayev, Head of Division; Mr. Alibek Kuantyrov, Expert	Astana
Friday, July 16			
	Ministry of Finance, State Borrowing Department	Mr. Asset Alimanov, Acting Head of the External Loans Division	Astana
	Ministry of Finance, State Borrowing Department	Ms. Aida Tatibekova, Head of the State Securities and Guarantees Division	Astana
	Ministry of Finance, State Borrowing Department	Ms. Nailya Askarova, Head of the Debt Monitoring Division	Astana
Monday, July 19			
	National Bank, Research and Statistics Department	Ms. Saida Agambayeva, Head of the Economic Research Division; Ms. Toty Kaliaskarova, Deputy Director; Mr. Vitaly Tutushkin, Deputy Director	Almaty
	National Bank, Financial Stability Division	Ms. Bota Akbayeva, Expert	Almaty
	State Pension Fund	Mr. Ruslan Yerdenayev, Managing Director; Mr. Assan Shanimov, Director of the Methodology and Development Department	Almaty
Tuesday, July 20			
	National Analytical Center	Ms. Irinaq Rubashina, Project Manager; Mr. Alikhan Yerzhanov, Project Manager; Ms. Aliya Mukhamediyeva, Project Manager	Astana

	Ministry of Economic Development and Trade, Macroeconomic Analysis and Forecasting Department	Ms. Saule Arykbayeva, Head of the Macroeconomic Forecasting Division	Astana
	National Bank, Monetary Operations Department	Mr. Yuriy Gerasimenko, Department Director; Mr. Adil Mukhamedzhanov, Head of the Monetary and Credit Operations Division	Almaty
	Halyk Bank	Mr. Arman Dzhakambayev, Managing Director; Ms. Gaini Isabayeva, Executive Director, Risk Management Department	Almaty
	Kazakhstan Stock Exchange (KASE)	Mr. Andrey Tsalyuk, Vice President; Ms. Akzhelen Isabayeva, Specialist of the International Relations Department	Almaty
Wednesday, July 21			
	Ministry of Finance, Tax Policy Department	Ms. Tolkyn Baimukhanova, Department Director	Astana
	Accounts Committee	Ms. Zinaida Zagozkina, Member of Accounts Committee; Mr. Marat Sembekov, Head of the Legal Division; Ms. Khalida Kambarova, Head of the Methodology and Analysis Division; Ms. Karlygash Kasymova, Head of the Control Division # 3	Astana
	Ministry of Finance, Treasury Committee	Mr. Ablay Dostiyarov, Head of the Government Claims and Loan Liabilities Registry Division; Ms. Zauresh Mukusheva, Head of the Cash Management Division	Astana
Thursday, July 22			
	Ministry of Finance, Budget Policy Department	Ms. Zhamilya Tokabekova, Department Director	Astana
	Ministry of Finance, State Borrowing Department	Ms. Nailya Askarova, Head of the Debt Monitoring Division	Astana

	Ministry of Finance, Internal Audit Division	Mr. Murat Shamarov, Head of division	Astana
	Ministry of Finance, Cooperate Development Division	Mr. Erzhan Kadyrovich, Head of division	Astana
Friday, July 23			
	Ministry of Finance, State Borrowing Department	Mr. Kuat Akizhanov, Department Director; Ms. Altyn Tenizbayeva, Deputy Director; Ms. Aida Tatibekova, Head of the State Securities and Guarantees Division; Ms. Nailya Askarova, Head of the Debt Monitoring Division; Mr. Asanali Dusembai, Head of the External Loans Division	Astana
	National Analytical Center	Mr. Sultan Orazbayev, Department Director; Mr. Alikhan Yerzhanov, Project Manager; Ms. Aliya Mukhamediyeva, Project Manager	Astana
	Ministry of Economic Development and Trade, Investment Policy Department	Mr. Baurzhan Tortayev, Department Director; Mr. Gabit Shaikin, Deputy Director; Mr. Nyrum Ayazbayev, Head of division; Mr. Alibek Kuantyrov, Expert	Astana