

## Kazakhstan



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at [www.revenuewatch.org/rgi](http://www.revenuewatch.org/rgi).

### Background

With vast natural resources, including 30 billion barrels of oil reserves and 85 trillion cubic feet of natural gas, Kazakhstan is an increasingly important player in global energy markets. The government relied on hydrocarbons for 39 percent of its revenues in 2010. Kazakhstan exports more than 1.2 million barrels of oil per day and is the world's largest uranium producer; together

Kazakhstan	2000	2005	2011
Population (million)	14.88	15.15	16.56
GDP (constant 2011 international \$ billion)	23.3	64.7	188.0
GDP per capita, PPP (constant 2005 international \$)	5,406	8,699	11,568
Oil and gas revenue (% total government revenue)	...	..	39%
Extractive exports (% total exports)	73%	83%	82%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank. Oil and gas revenues 2011 data from 2010; Extractive exports 2011 data from 2009.

the mining and petroleum industries accounted for 82 percent of exports in 2009.

### Kazakhstan's Performance on the RGI

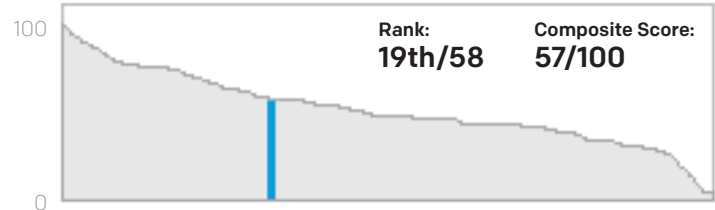
Kazakhstan received a "partial" score of 57, reflecting satisfactory performance on the Safeguards and Quality Controls component but a low Enabling Environment score.

#### Institutional and Legal Setting

(Rank: 28th/58 Score: 62/100)

Kazakhstan's "partial" score of 62 is the product of a detailed legislative framework but insufficient disclosure requirements.

The Oil and Gas Ministry grants hydrocarbon rights following a bidding process or direct negotiations. However, in 2007 the president imposed a moratorium on new licenses to reduce the influence of Chinese companies in the country's oil sector. Kazakhstan is a candidate for Extractive Industries Transparency Initiative (EITI) compliance, but has yet to complete the validation process. There are several laws relating to freedom of information in the extractive sector, although significant gaps in transparency remain.



### Reporting Practices

(Rank: 21st/58 Score: 58/100)

The government does not provide detailed information on most aspects of the petroleum industry, leading to a "partial" score of 58.

Contracts and environmental impact assessments are not published. The Oil and Gas Ministry has yet to begin publishing relevant reports. The Industry and New Technology Ministry publishes only historical information on reserves. The Finance Ministry publishes monthly information on the value of resource exports, production stream values, royalties, special taxes, bonuses, license fees, and the government's share of production-sharing agreements. Kazakhstan's Statistical Agency publishes some information on production volumes, prices, and the value of resource exports. EITI reports contain disaggregated figures for most taxes, dividends, and acreage fees, but do not provide data on social payments or company-by-company receipts.

### Safeguards and Quality Controls

(Rank: 9th/58 Score: 76/100)

Kazakhstan earned a "satisfactory" score of 76, its highest of any component, partly due significant audit requirements.

Licensing decisions may be appealed and lawmakers have the right to review contract terms. The General Auditor reviews the Finance Ministry's financial statements and regularly reports to parliament. However, legislative oversight is limited; the president maintains considerable power over the extractive sector. The ruling party controls implementation of anti-corruption laws, which require government officials to disclose potential conflicts of interest.

### Enabling Environment

(Rank: 32nd/58 Score: 32/100)

Kazakhstan's "failing" score of 32 accounts for especially low scores on government accountability and democracy.

### State-Owned Companies

(Rank: 8th/45 Score: 87/100)

Kazmunaygaz represents the state's interest of at least 50 percent in all production-sharing agreements. It is required to publish comprehensive audited reports, including information

on operations, subsidiaries, and revenues. The company follows international accounting standards and provides information on its board of directors and decision-making rules. Company officials are required to disclose their financial interests in the industry. However, despite these policies, a lack of effective communication with the public has provoked serious tensions between Kazmunaygaz and communities in Kazakhstan's western region.

### Natural Resource Funds

(Rank: 8th/23 Score: 67/100)

The National Oil Fund is intended to conserve oil revenues and help balance national and regional budgets. It is controlled by the president. There are no fixed policies regarding deposits, but rules governing withdrawals are defined by legislation

and generally followed. Disbursements are published in Kazakhstan's annual budget; the fund does not publish its own audited reports. The National Bank provides information on the fund's assets, transactions, and investments. However, these reports are difficult to understand and do not include disaggregated data.

### Subnational Transfers

(Rank: 18th/30 Score: 58/100)

Some resource revenues go directly to regions where oil and gas are extracted. The government publishes information on these transfers, but does not define the rules and formulas for revenue sharing. The requirement that these payments be used for infrastructure development is often violated.

## Kazakhstan's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
<b>19</b>	<b>COMPOSITE SCORE</b>	<b>57</b>
<b>28</b>	<b>Institutional and Legal Setting</b>	<b>62</b>
	Freedom of information law	33
	Comprehensive sector legislation	100
	EITI participation	67
	Independent licensing process	83
	Environmental and social impact assessments required	50
	Clarity in revenue collection	83
	Comprehensive public sector balance	56
	SOC financial reports required	100
	Fund rules defined in law	50
	Subnational transfer rules defined in law	0
<b>21</b>	<b>Reporting Practices</b>	<b>58</b>
	Licensing process	33
	Contracts	0
	Environmental and social impact assessments	33
	Exploration data	17
	Production volumes	50
	Production value	33
	Primary sources of revenue	100
	Secondary sources of revenue	67
	Subsidies	0
	Operating company names	67
	Comprehensive SOC reports	50
	SOC production data	71
	SOC revenue data	78
	SOC quasi fiscal activities	100
	SOC board of directors	100
	Fund rules	100

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	100
	Subnational transfer rules	0
	Comprehensive subnational transfer reports	67
	Subnational reporting of transfers	100
<b>9</b>	<b>Safeguards and Quality Controls</b>	<b>76</b>
	Checks on licensing process	78
	Checks on budgetary process	89
	Quality of government reports	42
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	67
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	67
	Fund reports audited	17
	Government follows fund rules	100
	Checks on fund spending	100
	Fund disclosure of conflicts of interest	0
	Quality of subnational transfer reports	83
	Government follows subnational transfer rules	100
<b>32</b>	<b>Enabling Environment</b>	<b>32</b>
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	25
	Open Budget (IBP Index)	40
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	18
	Government effectiveness (WGI)	44
	Rule of law (WGI)	32

<span style="color: green;">■</span> Satisfactory	<span style="color: orange;">■</span> Weak
<span style="color: yellow;">■</span> Partial	<span style="color: red;">■</span> Failing