

EITI BOARD DECISION ON KAZAKHSTAN VALIDATION

BRUSSELS, 13-14 DECEMBER 2010

The Board designates Kazakhstan as Candidate country as of 13 December. Based on a thorough assessment of the specific circumstances, Kazakhstan is considered to be 'close to compliant'.

The Board congratulates the government, companies and civil society organisations in Kazakhstan for the progress made in implementing the EITI and for completing validation.

In all decisions on Validation the Board places a priority on the need for comparable treatment between countries and the need to protect the integrity of the EITI brand. As set out in EITI Policy Note #3, the designation of "close to compliant" applies in cases where the EITI Board considers that a candidate country has not only made meaningful process, but can reasonably be expected to achieve Compliance within a very short time.

The validator found that Indicator #4 is not met, and concluded that a positive judgment on indicators 13 and 16 were subject to provisos and corrective actions. The Board agreed that the validation report does not provide sufficient information for the Board to assess compliance with all of the validation indicators. A number of issues require further information and clarification. The Board agreed that a detailed analysis of the forthcoming 2009 EITI Report is required in order to clarify the outstanding issues. Specifically, indicators 9, 11, 12, 13, 14, 15 should be reassessed. The following issues must be addressed in order to achieve Compliance:

1. The National Stakeholder Council should agree a clearer definition of materiality, and demonstrate that "all material oil, gas and mining payments to government" and "all material revenues received by governments from oil, gas and mining companies" have been covered in the 2009 report. In agreeing a definition of materiality, the National Stakeholder Council is encouraged to consider a specific figure that defines a material payment.
2. The National Stakeholder Council should also clarify its agreed approach for coverage of dividend payments and payments to local and regional authorities for the 2009 and subsequent reports.
3. Increasing company participation through targeted outreach to the largest oil, gas and mining companies that are not yet participating in the process. An entity should be exempted from reporting only if it can show with a high degree of certainty that the amounts it reports would in any event be immaterial. The National Stakeholder Council may wish to consider requesting that the government unilaterally discloses the combined benefit stream from such small operators.
4. As per the Indicator Assessment Tool for Indicators 12 and 13, the National Stakeholder Council should agree a more detailed and time-bound strategy for ensuring that company and government reports are based on audited accounts to international standards;

When the National Stakeholder Council has completed these remedial actions the EITI International Secretariat will review Kazakhstan's compliance. The Secretariat will consult widely with stakeholders during the review. The National Stakeholder Council should be given an opportunity to comment on the Secretariat's findings. The Secretariat's review will be a public document - supplementing the Validation Report - thereby ensuring that the basis for the Board's decision regarding compliance is clear to all stakeholders.

The Secretariat should submit its report to the Board via the Validation Committee. If the Board is satisfied that remaining requirements have been met, the country will be designated as EITI Compliant. In the interim, Kazakhstan will retain its Candidate status. The Board retains the right to require a new Validation if the remedial steps are not completed within six months (i.e. 12 June 2011). The Board does not foresee granting any extensions beyond this deadline to complete remedial actions.