

## STATEMENT

### OF THE COALITION OF KAZAKHSTAN NGOs “OIL REVENUES - UNDER PUBLIC OVERSIGHT!”

#### Regarding the First National Report as a part of EITI implementation in Kazakhstan

February 29, 2008

The Coalition of NGOs “Oil Revenues – Under Public Oversight!”, uniting over 60 organizations from all regions of Kazakhstan, welcomes the publication of the first EITI report in Kazakhstan. This important event has become a clear signal to the international community about the government’s and extractive companies’ consistent commitment to the EITI, as well as has marked the new phase of the EITI implementation in our country.

Within two and a half years that passed since the government of Kazakhstan endorsed EITI, our Coalition has been actively participating in the work of the National Stakeholders Council by determining procedures required to ensure transparency of information about payments made by extracting companies as well as revenues received by the government on its subsoil development. The publication of the first report may be viewed as a significant preliminary result of this diligent work.

At the same time, we would like to pronounce our concern about the quality of the first report and draw attention of all interested parties to a number of critical issues that remain open after the publication of the first EITI report:

1. In December 2007, during the preliminary discussion of the draft report within the National Stakeholders Council, representatives of the Coalition made a number of remarks insisting that it was necessary to:
  - Determine the total size of discrepancies between the government’s and the extracting companies’ data. The total size of discrepancies has not been determined so far, which fact allows us to assume that the size thereof varies between 4 billion tenge to 26 billion tenge, depending on a method used;
  - **Convert the companies’ data pertaining dollar payments at the exchange rate being then current in force, and to state in the final column the total discrepancy in Kazakhstan tenge.** At present data received from some companies are given in dollars in the report, while revenues provided by such companies are recorded in tenge, which fact complicates the data processing process.
2. The final version of the report fails to mention the discrepancy for 3.29 million tenge of corporate income tax that is now subject to court proceedings between the Kazakhstani Finance Ministry and an extracting company. At the same time, the government has not accepted the payment made by the company. This suggests the following question. May a payment made be unaccepted by the government? Otherwise, **where has the sum transmitted by the company gone?**
3. In our opinion, this report cannot be deemed comprehensive as **it fails to provide some specific data.** For example, the report stipulates:
  - “other taxes” and at the same time fails to detail which taxes namely, or a sum of receipts for each of these taxes separately;

- “primary reason” but fails to mention any other ones;
- “rebates that are not included in the report” but fails to specify the sum that has not been included in the report or stipulate any reasons for the same; etc.

In addition, discrepancies caused by different reasons are summarized in most items of the report, although the sums of discrepancies caused by any specific reason are not specified.

Ultimately, the prepared **report requires explanations, though under EITI criteria it is supposed to be “comprehensive and comprehensible”**.

4. The report fails to specify **clearly which companies have provided data previously verified by their auditors**. Indisputably, submission of verified data is critical to ensure trustworthiness of the published information.
5. The report stipulates, “Twenty four companies have provided their revised statements together with corrections for payments made/revenues received.” **The presence of so many technical discrepancies is perplexing.**
6. We believe it is critical to obtain public **explanations from the Mangistaumunaigas JSC administration**, which has signed the Memorandum of Understanding on EITI implementation, but “has failed to allow the government to provide its data to Deloitte LLP”, as the report specifies.
7. We express our regret about the fact that the information of extractive companies’ payments and government’s receipts is given in aggregated form, without breakdown by each company. Although publication of data for each separate company is not a compulsory requirement of EITI, **many countries, including Mongolia, Nigeria and Ghana, have decided to publish disaggregated data**. Undoubtedly, such way to disclose the information appears to be more progressive and sets up a qualitatively new standard of transparency.

Finally, the report **fails to give answers to the following key questions:**

- What overall discrepancy has been established by the report?
- What reasons for discrepancies can be viewed as explained ones?
- What reasons for discrepancies have not been explained?

*The Coalition of NGOs “Oil Revenues - Under Public Oversight!” believes that the First EITI Report published in Kazakhstan cannot be regarded as completely compliant with the relevant EITI criteria. Therefore we accept the First EITI Report only provided that all stakeholders will make every effort to eliminate the revealed defects when preparing the Second EITI Report. Otherwise, the Coalition acting as a party to EITI implementation in Kazakhstan reserves the right to refuse to approve the Second EITI Report.*