

**EXECUTIVE
BOARD
MEETING**

SM/20/4
Correction 2

February 5, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Kazakhstan—Selected Issues**

Board Action:

The attached correction to SM/20/4 (1/6/20) has been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

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Questions:

Mr. Horton, MCD (ext. 39850)
Mr. Rozenov, MCD (ext. 37163)
Ms. Shi, MCD (ext. 37690)

recently comprised bonds (80 percent, to be invested in sovereign bonds and high-quality corporate bonds) and shares (20 percent). The 2016 decree mandated a gradual shift of the strategic allocation of the savings portfolio to achieve an allocation of 60 percent in bonds and 35 percent in shares and allow up to 5 percent of the portfolio to be invested in alternative instruments, such as private equity. An amendment subsequently reduced the allocation in shares to 30 percent, to make room for up to 5 percent of the portfolio to be invested in gold. The transition began in 2017 and the targeted allocation was to be achieved 3–5 years later. At end-2018, the savings portfolio amounted to US\$48.8 billion, or 84 percent of the foreign currency portfolio.

98. The NFRK holds a residual domestic portfolio. The portfolio was formed at the time when the fund was allowed to engage in policy-oriented extrabudgetary spending and lending, prior to 2017. It includes bonds issued by national management holding companies. The portfolio is not actively managed by the Ministry of FinanceNational Bank.

99. Information on the NFRK is available from the MoF, the NBK, and the government. The fund's monthly and annual accounts and a succinct summary annual report are published by the MoF. The NBK's Annual Report has a section on the management of the NFRK's assets that includes summary information on investment objectives, the purposes of the stabilization and savings portfolios, the total asset market value and the values of the sub-portfolios, annual and cumulative returns since inception, and a comparison of the returns on the sub-portfolios with the returns on benchmark portfolios. Legislation and regulations are available at the MoF, NBK, and government websites. The annual financial statements are externally audited by international audit companies selected based on tenders but have not been published.

100. There would be merit in producing comprehensive “one-stop” quarterly and annual reports on the fund's activities and finances and providing the fund with a dedicated website. This would address the issue faced by observers of having to look for information on the fund in various places and would provide more information than is currently available. Many resource funds publish regular and comprehensive reports, with the audited financial statements attached, and have dedicated websites. Examples include the funds in Alberta (Canada), Alaska (U.S.), Australia, Azerbaijan, Chile, Mexico, Norway, Panama, Timor Leste, and Trinidad and Tobago.

- The reports could provide information on the fund's governance, transparency and accountability (containing references to the relevant legislation, regulations, and inter-agency agreements); the management of the fund; and its operating rules. The regular provision of this information is particularly helpful to new readers. The reports could include a narrative on the national economy and the fund; the fund's revenues and expenditures; its investment strategy and performance; the investment portfolio including breakdowns by various asset classes; the returns on the portfolio and comparisons to the benchmarks; the fund's risk profile and risk management; and the fund's budget and its execution. The externally-audited financial statements and the auditors' opinions should be attached to the annual reports.