

TA COMPLETION REPORT

Division: IEFI

TA NO./NAME: TA NO. 2420-KAZ: FINANCIAL SECTOR ADVISORY				TA AMOUNT APPROVED: \$600,000	SOURCE: Bank
EXECUTING AGENCY: National Bank of Kazakhstan (NBK)				REVISED AMOUNT:	TA AMOUNT UTILIZED: \$586,043.11
DATE: 21 June, 1999	APPROVAL: 11 Oct, 1995	SIGNING: 19 June, 1996	FIELD: 15 July 1996	CLOSING: ORIGINAL: June 1998	ACTUAL: 15 Jan, 1997

TA DESCRIPTION:

The TA aimed to support the development of non-bank financial institutions (NBFIs) in Kazakhstan, by assessing and analyzing the initial situation, and providing a policy reform plan for creating an enabling environment..

TA OBJECTIVES AND SCOPE:

The objective of the TA was to enhance the role of NBFIs in the financial sector. This was to be achieved by a comprehensive analysis of both the legal and regulatory framework, and the structure of NBFIs, which would facilitate development of a time-bound action plan of policy reform measures, including regulation and supervision, to allow for a greater role for NBFIs in the financial sector. The TA included the provision of an advisor to NBK to specifically advise on monetary and fiscal policy and how these relate to the development of NBFIs.

TA INPUTS EVALUATION:

The TA called for an assessment of the NBFIs in terms of structure, development trends, and regulatory and supervisory framework. Based on this, the TA required preparation of a time-bound policy agenda for the reform of NBFIs. Each consultant was requested to conduct a seminar for officials and market participants on their specialty, e.g. NBFI supervision. The TA provided 4 person-months of local consulting services, and 18 person-months of international consulting services to be carried out over a period of 6 months. During contract negotiations the Government requested revisions in the TORs, to assist NBK to develop and implement a regulatory framework conducive to the development of NBFIs, such as contractual savings institutions, investment institutions, and special purpose deposit institutions. To accommodate the work, the role of the advisor was reduced and altered to focus more on assessing the implications for NBFIs of monetary and fiscal policies. The TA commenced on schedule. The consultants had very strong support from NBK. Bank staff participated in inception and review missions, and provided guidance and comments on draft reports.

TA OUTPUTS EVALUATION:

The consultants' final report was comprehensive. It included analysis and recommendations for (i) regulation and supervision of pension and investment funds, including mandatory separation of corporate assets and clients' accumulated contributions, accounting and disclosure rules, capital adequacy rules, and investment regulations such as exposure limits to individual enterprises, and types of instruments; (ii) development of the insurance industry; (iii) the creation of a credit information bureau; and (iv) recommendations for strengthening the legal and regulatory framework of NBFIs, and NBK's ability to supervise them. The consultants conducted seminars in Kazakhstan for government officials on the role and function of different types of contractual savings institutions, and the requirements for enhanced regulation and supervision of these institutions. Key officials attended a Bank-sponsored workshop in Washington D.C on pension reform in Kazakhstan.

The consultants' report proved useful for both the Bank and the Government as it paved the way for advancing the pension reform, and helped formulate the subsequent pension reform program loan.

TA's OVERALL ASSESSMENT/RATING:

The TA is rated as "successful". The revised objectives were met to the satisfaction of the Bank and the Government, and the TA was implemented on time.

MAJOR LESSONS LEARNED:

None

FOLLOW-UP ACTIONS AND RECOMMENDATIONS:

None

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Designation:

YP, IEFI