Scorecard development in Kazakhstan

Arman Berdalin

Of course, we highly appreciate the contribution of IFC experts in the development of Scorecard. However, for objective reasons, the use of this tool in Kazakhstan required additional adaptation.

The first challenge that we faced was the need to ‘translate’ this Scorecard from Russian to Russian. The fact is that during the examination of the existing materials on corporate governance we realized that many businessmen are not sufficiently proficient in terminology of corporate governance. So even such basic concepts as "commitment to Corporate Governance", "control environment", "the structures and processes of corporate governance" require additional decoding, explanation, selection of appropriate analogues.

Of course, some efforts have been made to harmonize the Scorecard in accordance with Kazakhstan legislation. It should be noted that many of the tools of the best corporate governance practices, which are recommended for use, are already mandatory in Kazakhstan due to legal requirements. These, for example, are such things as cumulative voting in electing members of the Board of Directors or the presence of committees in Boards of Directors.

However, it should be noted that in Kazakhstan, unfortunately, issues related to the activities of the Board of Directors are implemented rather formally. In this relation the work of executive bodies plays an important role in companies’ lives. This is the reason that we have offered and received appropriate approval from our colleagues from the IFC to include an additional section on the executive body.

It was agreed that the final version of the tool should have been presented effectively from its first presentation. In this regard, we had negotiations with the Kazakhstan Stock Exchange (KASE) and to our delight found support from their side. Especially for this purpose Scorecard was further adjusted to reflect the Listing Rules. After studying the Scorecard by the Stock Exchange, as well as on the results of negotiations, this tool has been approved by the KASE for use by issuers included in the official KASE listing by themselves.

For further Scorecard popularization our company jointly with IFC, KASE and one of Kazakhstan's leading business schools organized a conference titled ‘The domestic listing: assess your capabilities’. During this conference the Scorecard was presented in an interactive way, all participants had the opportunity to familiarize themselves with the content and purpose of this tool.

As the results of the lottery winners were given the opportunity to go through Corporate Governance review (CGR) free of charge using the developed Score-card. This marketing approach has enhanced the interest of the Kazakh joint stock companies to this new tool. During the investigation of the CGR, we concluded that the use of Scorecard as a tool of CGR is very effective.

Held in conjunction with the Stock Exchange conference marked the beginning of fruitful cooperation of IFC and its partners on corporate governance project with the KASE. At the moment, this cooperation has led not only to a successful series of activities related to corporate governance issues, but also contributed to the creation of Discussion Club in Kazakhstan which aimed at further development of the stock market in Kazakhstan.

In addition it should be noted that the current practice of doing business made its influence on Scorecard. Given the fact that the number of Kazakhstan LLPs hundreds of times more than JSCs, we have decided to re-adapt IFC product developed under conditions of Kazakhstan, but in relation to a limited liability partnership. Corresponding Scorecard is currently under IFC approval.