Chapter 4

Public Sector Reforms in Kazakhstan

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4.1 Introduction

The disintegration of the Union of Soviet Socialist Republics (USSR, hereafter referred to as the Soviet Union) in 1991 marked the beginning of a new era for Kazakhstan. From the Communist past, Kazakhstan has emerged as an independent promarket and prodemocracy state. In the West, political elites and academics expected that democracy, market, and civil society would quickly take root in the newly independent state. Yet, the enthusiasm did not last long, and after almost 20 years of radical and incremental reforms, the transition from centralized and autocratic to decentralized and democratic forms of government in Kazakhstan is still underway.

In the case of Kazakhstan, democracy has been developing in a zigzag fashion. The first president of Kazakhstan, Nursultan Nazarbayev, has initiated democratic reforms from the top down and the president himself has curtailed democratic development by concentrating power within the institution of the presidency. The case of Kazakhstan is an illustration of the central role of government in transforming economic, political, and social order with little input from the people and often against the will of the people.

4.2 Brief History

The Republic of Kazakhstan is one of the former Soviet Union republics in Central Asia. Kazakhstan gained independence in 1991, when the USSR ceased to exist. It is the ninth largest country in the world, with a territory of 2.7 million km², and a total population slightly over 16 million, as the chairman of the Agency for Statistics Alikhan Smailov announced after the census of 2009 (http://www.inform.kz/eng/article/2322053). Administratively, the country is divided into 14 regions (oblasts), 160 districts (raions), 10 large city districts, 200 towns, over 2000 rural settlements, and 2 cities of special status—the current capital Astana and the former capital Almaty.

Throughout their pre-Soviet history, the Kazakh people knew no central government, no military administration, and no geographic borders. Traditionally, they led a nomadic life and were engaged in cattle-breeding, moving freely to find better grazing lands. They were united by strong family ties and by loyalty to a khan (ruler), who was recognized as a family or tribe leader.

In its recent history, Kazakhstan has experienced three stages of modernization—under the Russian Empire (1731–1920), the Soviet Empire (1921–1991), and the Western Empire (1992–onward). Each stage has brought profound changes to the Kazakh lifestyle, from nomadic to settled; to the system of beliefs, from Islam to Communism; to the way the country has developed under capitalism and democracy; and to the mentality of people, from rural to urban (Abylkhozhin 2007).

The Soviet regime significantly transformed the individual, political, and social life of the Kazakh people. It lasted for more than two generations.* The weakness of national identity before the Soviet era helped formation of a Soviet identity. Soviet policy forced the nomadic population to settle, which dramatically changed the traditional way of living. Three waves of

* To remain objective, we must note that the Soviet regime brought significant improvement to the lives of common people if measured by social equality, emancipation, health, and education. During 70 years of socialist development in Kazakhstan, the country achieved 98% literacy, life expectancy on average increased from 51 in 1950 to 68.3 in 1990, and women made major progress in the economic life of the republic by constituting about 48% of the labor force in all sectors of economy in 1980 (Population Division, DESA, United Nations; UNdata n.d.).
immigration during the Soviet period resulted in a low proportion of Kazakhs in the total population. According to the census of 1959, Kazakhs represented only 37% of the country’s population; other Central Asian minorities who spoke variations of Turkish constituted about 11%, other ethnicities represented roughly 9%,* while Russian-speaking ethnicities constituted 43% (The Permanent Committee on Geographic Names 2006). Therefore, the Russian language became the political and administrative language of the republic. In 1989, Kazakhs constituted 39.5% of the population and the country was the only one in the Soviet Union in which the titular ethnic group was a numerical minority (Cummings 2000).

The system of governance in Soviet Kazakhstan was represented at the top level by the Kazakhstan Council of Ministers, presided over by the chairman, which worked closely with the Central Committee of the Communist Party of Kazakhstan, headed by the first secretary. Similarly, governance structures repeated this dualism at the local level. Alongside government administrative posts, the Communist Party parallel positions were established to provide for political guidance, supervision, and control. The leaders of the Kazakhstan Communist Party were directly subordinate to the Soviet Union Central Party Committee. Therefore, in Soviet Kazakhstan many important policy decisions were made in close coordination with the Central Committee of the Communist Party of the Soviet Union and funded from the Soviet Union budget.

Kazakhstan and Russian economic relationships were characterized by high integration and interdependence of industries. During the Soviet era, Kazakhstan evolved as an urbanized and industrialized society, with significant manufacturing sectors and processing industries, a well-developed agricultural sector, and substantial natural wealth (Cummings 2000). The Constitution of Soviet Kazakhstan guaranteed many free services to its citizens. The Kazakhstan government provided free housing, secondary and higher education, health care, transportation, and guaranteed employment to all citizens (Kaminskaya 1928; Kiselev 1962; Sirikh 1999; Volkova 1986; Olcott 1995; Roy 2000). By 1970, two-thirds of the formerly nomadic Kazakh population were living in cities and one-third were working in industry. According to the census of 1970, the numbers of individuals with high school and university degrees per 1000 were 654 males and 651 females. The retirement age for women was 55. By 1970, females represented more than 50% of the labor force: in science 47%, industry 48%, construction 29%, public administration 61%, and education and culture 72% (Big Soviet Encyclopedia n.d.). After independence, Kazakhstan was a modern nation as measured by industrialization, emancipation, urbanization, and literacy.

4.3 Political Reforms: President versus Parliament

The current constitution still bears resemblance to the Constitution of the Soviet Republic of Kazakhstan from 1978 with regard to social protection of citizens. The constitution was revised in 1990 to introduce the position of the president of the Republic of Kazakhstan. In 1993, amendments to the constitution strengthened the power of the president by allowing him to issue decrees having a force of law. In 1995, the constitution was revised again to reinforce the presidential form of governance (Heinrich 2010).

Although the president initiated transfer of some powers to the Parliament in 2007, he still retained significant political power. The 2007 amendments to the constitution reduced the

* Kazakhstan was known in Soviet times as “a country of 100 languages,” where significant non-Central Asian groups, besides Russians, included Ukrainians, Polish, Germans, and Koreans.
presidential term from 7 to 5 years. The amended constitution has increased the number of members in the lower house—Majilis—from 77 to 107 and increased the term in the office for both chambers—the Senate and the Majilis. Other amendments allowed Parliament to play a bigger role in selecting the prime minister and provided nine seats in Majilis to the Assembly of the People of Kazakhstan* to ensure representation of minority rights (Golovnina 2007; Heinrich 2010). Yet, the constitution preserved the provision that allowed the first president of Kazakhstan to run for presidency an unlimited number of times. Actually, this provision provided the opportunity for President Nazarbayev to be elected more than twice, in contradiction to the current constitution,† which limits the president to two terms in the office (Golovnina 2007). Nursultan Nazarbayev, the first president of Kazakhstan, had the rank of first secretary of the Communist Party of Kazakhstan under the Soviet regime. He was a popular leader and was successfully reelected as president of the country in 1991, 1999, and 2005 (Oka 2009). On December 27, 2010, Kazakhstan’s central election commission officially registered a motion to hold a referendum to prolong First President Nazarbayev’s presidential term until 2020, bypassing the elections of 2012 (Solovyov 2010). On January 31, 2011, Nazarbayev issued a decree calling for an early presidential election on April 3, 2011, almost 2 years ahead of schedule. On April 3, 2011, Nursultan Nazarbayev was reelected for the fourth time as the president of the Republic of Kazakhstan (Kazakhstanskaya Pravda 2011). This reelection once again demonstrated the overwhelming power and continuing popularity‡ of President Nazarbayev.

The authors interviewed local analysts from the Alliance of Analytical Organizations of Kazakhstan. They argued that Nazarbayev called for early elections in April 2011, as a preventive measure in order to avoid possible political and civil conflict that elite groups might have initiated during the preelection year in order to take power. Additionally, some of them argue that the new term in the office will allow Nazarbayev to weaken the powerful elite groups, which currently control about 60% of the country’s GDP, and introduce a successor, who will lead the country in line with the first president’s vision.

Some scholars argue that the concentration of power in the hands of a reformist president could be a positive factor when the country is in a state of transition. According to Blackmon (2005), many economic and political reforms in transition countries would have proceeded much slower without the political leadership of the president, had the political and administrative power been dispersed through decentralization. The following facts demonstrate accumulation of power by the first president of Kazakhstan and the use of this power to advance market reforms. In 1993, President Nazarbayev dissolved the first Parliament of Kazakhstan, which resisted his decision to pursue a fast transition to a market economy. During 4 months without a Parliament, Nazarbayev enacted major reforms by issuing a number of decrees that had a force of law to overhaul the economy and the political system of the country. The president enacted a number of laws, such as “On Elections,” “On Banks and the Banking System,” “On Public Service,” “On Land,” “On Licensing,” and “On Early Presidential Elections,” and initiated a privatization program and pension system reform. Gleason (2003) described this combination of reforms and authoritarian

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* The Assembly of the People of Kazakhstan represents the diverse ethnic population of the country. It is believed that currently there are more than 130 different ethnicities residing in Kazakhstan. The role of the assembly is to advise the president on the issues of interethnic peaceful coexistence, conflict, and reconciliation.

† The Constitution of Kazakhstan, section III, art. 42, stipulates the following: “One and the same person may not be elected the President of the Republic more than two times in a row.”

‡ The country’s Central Election Commission said he (President Nazarbayev) had won 95.5% of votes, based on partial results (BBC News Asia-Pacific 2011).
decision making and implementation as a “product of compromise” that worked well in the past but could become destructive in the future.

Conversely, the authors of this chapter consider such “progressive” practice as compromising the ideals of true democracy, which President Nazarbayev has announced as his major political goal. The idea that democracy could be built by authoritarian means nullifies the essence of democratic participation in decision making. The president disbanded the first popularly elected Parliament of Kazakhstan, which expressed the will of the people by rejecting market reforms. The president rushed market reforms unilaterally. However, in the long run, the goal of democracy is not to achieve efficiency, but rather to achieve fairness and respect for the popular will. Some authors argue that for the last 20 years, Kazakhstan has been passing through semidemocratic authoritarianism to a typical authoritarian regime (Cummings 2005; Oka 2009).

The Parliament of Kazakhstan has lost competition for power to the president. With ongoing abuse of power, President Nazarbayev is still the most popular political leader. As opposition leaders and political parties have little support from the common people, the president has the chance to achieve a lifelong presidency without major challenge to his power.

4.4 Economic Reforms

Separation from the Soviet Union in 1991 brought numerous transitional challenges to Kazakhstan. Two major prominent challenges were the transitions from autocratic rule by the Communist Party to governance by democratically elected people’s representatives, and from a government-controlled economy to a market-driven economy. In 1992–1993, economic ties with Russia and the other 13 republics were broken; many industries were shut down because Soviet economic exchange and integration were incapacitated. State-controlled consumer prices were liberalized, which led to inflation, reaching an unprecedented high of 2400%; the real output dropped by 30% (World Bank 1993).

However, the president of Kazakhstan has demonstrated a strong political will to continue market reforms to gain access to world markets with the most wanted products from Kazakhstan, oil and gas, which he believed would help fix the budget deficit and improve the economic situation of Kazakhstan. Because Western countries and their leadership were determined to obtain quick access to the large hydrocarbon deposits of Kazakhstan, they ensured that the country received support from international lending institutions—the World Bank (WB) and the International Monetary Fund (IMF) in 1992. Both organizations have signed stand-by agreements with Kazakhstan to provide badly needed financial resources on the condition that the leadership of the country would initiate immediate market reforms. The WB and the IMF designed reforms and provided expertise and funding to implement them. The most notorious reforms were privatization of state-owned industries, quick price liberalization, fiscal and banking sector reforms, and pension reforms, which were seen as breakthrough measures to dismantle the Soviet system of state-owned production means, controlled prices, a public banking system, and a pay-as-you-go pensions system. In 1995–1999, President Nazarbayev and his team attracted significant foreign direct investments to start oil extraction and refinery, established a stable legal framework for commerce and international contracts, reformed the banking system by creating the independent Central Bank of Kazakhstan and establishing a private banking system, and adopted a progressive civil code, a new system of government fiscal management, and a new tax code (Perlman 2007).
In May 2000, Kazakhstan managed to repay its $385 million debt to the IMF before the due date and reduced its dependence on the international institution, which dictated financial policies to Kazakhstan. In 2002, Kazakhstan was the first to receive an investment-grade credit rating from a major international rating company, which allowed its government to borrow and attract investments internationally (Bhuiyan 2010; Gleason 2003).

Economic growth became evident by 2002 and this situation continued to improve till 2008. In 2006, the country’s annual GDP growth was 10.6%, with a projected growth of 8% between 2008 and 2012 (Knox 2008). The global financial crises of 2008 had a profound negative influence on the country. The government responded to the crises by introducing a stabilization plan and devaluing the Tenge—the national currency—to deal with the deteriorating macroeconomic situation, large bank debts, and growing unemployment. By the end of 2009, the country started slowly recovering from recession. According to the Deputy Minister of Economy and Trade Mr. Kusainov, the country’s annual GDP growth was 1.2% in 2009, which increased to 7% in 2010; the inflation rate remained stable; and the unemployment rate decreased from 6.3% in 2009 to 5.5% in 2010 (Dubovitskikh 2011).

During the year of 2010, Kazakhstan launched and supported 80 new projects to accelerate industrial development of the country. Within the framework of the Program of Accelerated Industrial and Innovative Development, the government has already invested $2.7 billion out of a total of $54.3 billion from the National Fund of Kazakhstan into the program of industrialization scheduled for completion in 2014 (Central Asia Newswire 2010).

Kazakhstan still faces a number of economic and social problems, but the president’s model of “legal and economic reforms first and political reforms later” has helped the country to overcome severe economic transition challenges.

### 4.5 Development of Civil Society in Kazakhstan

#### 4.5.1 Civil Society at a Glance

The 20-year modern history of post-Soviet Kazakhstan encapsulates a story of a newly established nongovernmental sector. In 1989, the fledgling nongovernmental sector loudly declared itself as a public force. An enthusiastic group of Kazakhstan intelligentsia, under the leadership of the famous Kazakhstan poet and public figure Olzhas Suliemenov, has organized a social movement and a march of protest to the site of nuclear tests near the city of Semipalatinsk, Kazakhstan. The popular movement successfully pressured the government of Kazakhstan into abolishing nuclear testing in the area and fostered links with international organizations that opposed nuclear testing (Nevada-Semipalatinsk 1989; Wittner 2003). Following these powerful protests, a number of environmental nongovernmental organizations established themselves as active public players on a new democratic stage in Kazakhstan.

In 3 years, the powerful drive for democratic reforms was overwhelmed by economic turbulence created by “shock therapy” inspired by the WB. Under new economic stress, the democratic and participatory fervor subsided, giving way to the daily hunt for bread. Consequently, the popular enthusiastic and idealistic civil society momentum was lost, and the development of the nongovernmental sector slowed down. It was not revived until the international civil society community came to offer assistance to establish a Western model of civil society in Kazakhstan.

The period of 1994–1995 saw the launch of the nongovernmental sector in Kazakhstan society. That time was marked by fast and massive inflow of donor organizations, trainers, and civil society...
experts from the West. Given the availability of vast and easily accessible monetary resources in the form of grants, new Kazakhstan nongovernmental organizations (NGOs) started growing in number (Franz et al. 2002). The Ministry of Justice reported that, as of April 2006, 25,868 private, nongovernmental organizations were registered in Kazakhstan (Kazakhstan Asian Bank of Development Resident Mission n.d.). However, research showed that many of these registered organizations were dormant or closed (Nezhina et al. 2008). Overall, according to the Asian Bank of Development (ABD) and the estimation of local experts, the number of active NGOs in the country totaled approximately 800–1000 (Kazakhstan Asian Bank of Development Resident Mission n.d.).

During the period from 1995 to 1999, major international nonprofit organizations and representatives from Western governments arrived in Kazakhstan to help develop the third sector. The purpose of most organizations was to facilitate democratic development in an emerging market economy, which included financial assistance to nongovernmental organizations.* Foreign organizations helped establish, support, and finance activities of many nongovernmental organizations in Kazakhstan. Ironically, the effect of massive financial assistance from foreign groups has proved detrimental to the sector in the long run. Many nongovernmental organizations developed dependency on foreign donors and learned to “adapt” their agendas to the needs of donors by stepping back from their original grassroots missions (Aksartova 2006; Luong and Weinthal 1999).

The period from 1999 onward was characterized by the gradual withdrawal of international financial support and, as a consequence, the closure of many weaker nonprofit organizations. The lack of funds also induced many strong, popular, and productive nonprofits to engage in profit-making activities such as education, consultancy, and research. Such activities were subject to taxation and complicated the work of many NGOs (Ovcharenko 2006).

**4.5.2 Legal Framework for Civil Society in Kazakhstan**

From 1995, the Constitution of Kazakhstan affirmed freedom of associations (art. 23), but at the same time, during the first decade of democratization, limited funding opportunities for public associations by prohibiting government financing (art. 5). The “Law on Public Associations” also prohibited the assignment of the functions of a state agency to a public association, thus banning nongovernmental organizations from contracting government services (art. 4) (Shindaulletova 2003). It was not until 2005 that the law On State Social Service Contracts was signed by the president to allow social services to be contracted to nongovernmental organizations. However, the mechanisms for NGO participation in competitive bidding on par with for-profit organizations were not developed, which compromised the intent of the law to engage NGOs in provision of social services (Ovcharenko 2006).

Currently, the establishment of the nonprofit sector in Kazakhstan is slowly proceeding, with astounding successes of very few grassroots individual organizations and sheer ineffectiveness of the sector as a whole. The NGOs’ partnerships with government are infrequent and often ineffective as government takes the upper hand in such partnerships (Brinkerhoff and McEuen 1999). We conducted interviews with three experts who used to work or continued working for

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* International organizations, such as the United Nations Development Program, Soros Foundation, United States Agency for International Development (USAID), European Commission program for Technical Assistance to Commonwealth of Independent States and Mongolia (EC TACIS), Eurasia Foundation, and International NGO Training and Research Center (INTRAC) were key actors in strengthening the third sector.
international donor organizations. Before we start the analysis of the sector we need to classify the types of NGOs in Kazakhstan.

In sociology, organizations are classified on the basis of the controlling mechanism that governs people's behavior. Three types of organizations were identified on this basis: coercive, utilitarian, and normative. In coercive organizations, participants are controlled by force; in utilitarian, by money or other forms of financial benefit; in normative organizations, the control originates from shared goals, norms, and values (Andersen and Taylor 2006).

In Western societies, most NGOs are classified as normative, but in Kazakhstan, according to the experts, the classification is different. They described four types of Kazakhstan NGOs according to their leaders’ goals:

- NGOs leaders are concerned with personal promotion and the mission is viewed as an instrument to receive grants. NGO leaders often use their organizations as a platform to build their political careers, to find a government job, or to work as experts.
- NGOs are converted into commercial organizations and start making profit from their original activities.
- NGOs rely on international donors to survive and implement their agenda.
- NGOs work for a short period of time until grants are available and then disappear.

Researchers face difficulties in locating a reliable list of Kazakhstani NGOs. The major problem is identification of actively working NGOs. It turns out that the majority of organizations are short-lived; they disappear without formal closure but stay for years on official lists of local governments and statistics agencies. In 2008, a group of researchers were able to identify 700 active nongovernmental organizations out of 3836 defined as active by the Kazakhstan Statistics Agency (Nezhina et al. 2008). Since then the situation has not changed much. Comprehensive analysis of the sector is still a serious challenge for researchers. To verify the earlier findings, we randomly selected 30 NGOs from the database of the Kazakhstan Ministry of Justice and called them multiple times. The results were that all 30 organizations turned out to be idle or nonexistent, as was assumed from the lack of response to our calls.

4.5.3 Freedom of Speech in Kazakhstan

In 2006 the Analytical Report on Freedom of Speech in Kazakhstan described the situation as grave. Multiple violations of the legal rights of journalists to receive information from government agencies were depicted in this report. Another concern was frequent arrests and harassment of journalists who reported political protests and workers’ strikes (Kaleeva 2006). The report maintained that newspapers of the political opposition were shut down and full issues of newspapers were confiscated. In March 2011, the New York Times reported the story of Golos Respubliki, an opposition newspaper, which has long been a “thorn in the side of Kazakh authorities, publishing articles about corruption, human-rights violations and official malfeasance. Because of legal threats, Golos Respubliki has been unable to use a printing press or sell copies at newsstands, and has resorted to producing the newspaper on photocopiers and hawking it on the streets in major cities” (Barry 2011). The facts presented in a Freedom of Speech report (2006) and recent news publications suggest that the media is not free in Kazakhstan to publish demeaning but truthful facts about political leaders and government officials. According to the 2010 Worldwide Press Freedom Index (PFI) of the international media watchdog Reporters Without Borders, Kazakhstan ranked 162th out of 178 countries in its press freedom standing.
The PFI of Kazakhstan has been consistently deteriorating for the last 10 years.

4.5.4 Effectiveness of NGO Sector in Kazakhstan: Empirical Findings

Research conducted by the authors in 2008 found that the nongovernmental sector in Kazakhstan was not effective or sustainable. Most NGOs still largely depended on foreign funding. Many NGOs had not succeeded in developing close ties with or gaining local support from indigenous constituencies. The authors interviewed 30 foreign and local experts in Kazakhstan to determine how academics, media, and representatives of international organizations evaluate the effectiveness of the nongovernmental sector in Kazakhstan.

All interviewees assessed the NGO sector in Kazakhstan as weak and ineffective. Experts suggested multiple reasons for the limited effectiveness of NGOs in Kazakhstan. The most frequent explanations suggested by foreign experts were: (1) low profile of NGOs and lack of initiative, (2) lack of government recognition and support, (3) donor-driven agenda, and (4) lack of interest from people. Local experts provided additional insights explaining the ineffectiveness of NGOs in Kazakhstan such as: (1) disconnect with local traditions, (2) arrogance of NGO representatives, (3) self-serving goals of local NGO leaders, (4) indifference of NGO leaders to the real needs of local people, and (5) local people’s lack of attention to and trust in NGOs (Nezhina and Ibrayeva 2008).

The survey conducted by the authors to follow up the expert interviews showed that of all respondents (N = 144) only 46% could name one or two nongovernmental organizations in Kazakhstan, with the United Nations (UN)* being the most frequent (53%). These responses showed low general awareness of NGOs in Kazakhstan. The survey further asked respondents to choose one among four institutions that they would ask for assistance if faced with a specific problem such as homelessness, ethnic discrimination, violence at home, or hunger. The suggested options were (1) government agency, (2) nongovernmental organization, (3) commercial organization, and (4) friends and family members. The largest percentage of respondents chose “government agency” (49%–54%) or “friends and family members” (38%–82%), a small percentage of respondents chose nonprofit organizations (3.5%–22%), and a negligible percentage selected commercial organizations (1.4%–5%).

The findings indicated that awareness of the nonprofit sector and the need for it was low in Kazakhstan society. However, the authors inferred from the examples of individual organizations that the third sector was slowly learning to be useful to people and to be independent of foreign donors’ grants simply because these grants stopped being available and because people still needed help. Consequently, the authors argued that the NGO sector would transform in response to a long-standing tradition of informal mutual assistance. Traditionally, Kazakh society has been characterized by a high degree of volunteering from friends, neighbors, and family to help the needy. In times of hardships, the level of interpersonal trust remained strong, creating informal assistance networks (Rose 1997). Formally registered nongovernmental organizations do not inspire trust among Kazakhstan people because their motivation is unclear. The lack of communication on behalf of NGOs exacerbates the situation of low trust. In the future, the sector may evolve differently from the Western model of professional do-gooders and take the institutional form that is more relevant to Kazakhstan traditions.

* The UN is an intergovernmental organization that was well known in Soviet times. It is possible that the respondents named it to give at least some response.
4.6 Public Administration Reforms: President and Central and Local Government

Knox (2008) and Cummings (2005) argue that Kazakhstan government decision making is in the hands of the political elite, with the president at the highest level of hierarchy. With Parliament’s approval, the president appoints the most powerful line ministers in the cabinet, such as the head of presidential administration, the prime minister, and the security council secretary, who form the second node of power. The third tier of power is represented by ministers of finance, foreign affairs, KNB (Kazakhstan national security), defense, and justice. The fourth tier of the power hierarchy consists of the ministries of labor, science, and education, which are at the bottom of the hierarchy. The first two levels are the major actors in the decision-making process in Kazakhstan (Cummings 2005). The power hierarchy in Kazakhstan clearly illustrates which public goods are prioritized by the president.

The president of Kazakhstan is the head of the executive branch, which consists of 18 ministries. In accordance with constitutional amendments from May 2007, the government is formed by the Parliament based on majority party recommendations. The prime minister represents the majority party. He or she is appointed by the president after the approval of the majority of Majilis (the lower house). The prime minister forms the government in consultation with the president. The Parliament has the right to require any member of government to report on relevant implementation issues. If Parliament finds any irregularities, it places a recommendation to release the government official from the position. This provision reinforces political accountability of the executive branch.

Kadyrzhanov (2005) argues that the executive branch in Kazakhstan is still characterized as monocentric; it serves as an instrument for implementation of the presidential policies. The president has control over the prime minister, all branch ministers, and oblast akims* (regional governors) and has the right to release members of government from their offices.

Oblast akims are granted authority to appoint the city and raion akims (city and village administrators). Oblast akims are heads of local government and at the same time serve as representatives of the president (political appointee) in the oblast and are responsible for implementation of the president’s policy decisions (Kadyrzhanov 2005). Structurally, government administration is a highly centralized hierarchical system, which leaves very limited decision-making authority to local administrators, and precludes input from common citizens into policy decisions.

Oblast and raion elected representatives are members of local councils called maslikhats, which are directly elected by free and open elections. Local maslikhats are elected for 4 years. Maslikhats are formally empowered to develop local economic and social policy. Oblast and raion akims are required to report to the maslikhat on the implementation of social and economic programs (Makhmutova 2001). However, the independent policy decisions by local maslikhats are impeded by centrally planned budgets. Without local sources of funding, local legislative and administrative organs have very little spending discretion for local development and social programs. Because centrally made policy decisions are mandatory for oblast and raion levels of government, the services provided locally have little variation and are uniform in their content and coverage (Makhmutova 2001). Local representative bodies cannot make decisions

* In Kazakhstan, oblasts are large territorial divisions similar to provinces in Canada or France. Oblasts are subdivided into smaller administrative units such as raions, which are further subdivided into municipalities and villages with corresponding administrations.
that would contradict internal and external central government policies and are required to support the national security interests of the country (Bhuiyan 2010).

In other words, Kazakhstan has a highly centralized government structure that is characterized by a top-down decision-making authority and management system.

4.7 Administrative Reforms and Human Resource Practices


The legal framework of the public service is rooted in the presidential strategy “Kazakhstan 2030,” which formulated the major priorities in reforming the public sector with the purposes of increasing the effectiveness of government, introducing modern information technology, reducing bureaucracy, and restricting state intervention in the national and local economies (Nazarbayev 1993). Implementation of the public service reforms is managed by the Agency for the Public Service Affairs of the Republic of Kazakhstan, which is subordinate and accountable directly to the president.

4.7.1 Political versus Administrative Employees

The reforms of the public service started in 1995, with the major focus on the development of a professional merit-based public service system. The Civil Service Law differentiates between political and administrative civil employees,* where political employees are appointed by the president and the Parliament and public employee appointments are based on merit principles. Political employees include the president and his staff, ministers, top judiciary, prosecutor, oblast and major cities’ akims and president representatives.

The purpose of the 2005 amendments to the Civil Service Law was to reduce hierarchy and corruption through the innovative rotation of political employees (Turisbekov 2006). The law stipulates that rotation should not lead to the termination of career employees; however, in most cases the end of the term of a political appointee meant the end of employment of his or her subordinates (Emrich-Bakenova 2008). The problem was rooted in the original decree of 1995, which allowed political employees to transfer their team members to a new appointment, therefore stimulating the formation of permanent working groups. This pattern created tightly knit administrative power groups, which sought to increase their dominance in certain policy areas. As a retired public official argued during an interview, the existence of power groups within government created open partisan policy circles, which were capable of sabotaging some government programs and promoting others. The worst effect of power groups was a high level of corruption.

4.7.2 Recruitment and Promotion

According to the Civil Service Law, the Agency for Civil Service (ACS) was authorized to recruit personnel for government agencies. The ACS was made responsible for establishing the

* In 2011 in Kazakhstan there were 3,116 political employees out of 90,730 career employees (Statistics Agency of the Republic of Kazakhstan 2011).
eligibility criteria and ensuring that hiring is based on the results of fair competition. The ACS has established an open selection process for all citizens regardless of gender, ethnicity, religious affiliation, and income to become government employees. Since 2000, applicants have been required to submit an application package and pass an interview and a standardized computer-based entry test in order to prove their professional qualification. In addition to mandatory publication in the mass media, vacancies are also advertised on the websites of large mass media agencies and the ACS website (UN Division for Public Administration and Development Management 2000).

According to the law, promotion and renewal is based on seniority and results of regular merit review. Tenured employees with 20 years of service are the only group that is exempt from the merit review (The Civil Service Law 1999).

However, the law allows members of the Senate and maslikhat, judges, political employees, former employees of international organizations, and state scholarship winners to bypass competitive selection. The heads of public agencies have a bypass right by filling up to 20% of vacant positions through temporary contracts. This practice makes the merit-based selection of employees questionable (Emrich-Bakenova 2008).

According to Janenova (2009), actual recruitment of public service managers in Kazakhstan resembles a patronage system. Managerial vacancies are rarely announced publically with the proper notice; information on open positions circulates by “word of mouth.” Positions are often filled by friends, relatives, and other quid pro quo relationship figures. According to the United Nations Development Program (UNDP 2003) report, the majority of the population (including public employees) believe it is acceptable and permissible to receive a job or promotion through family or clan connections. This widely spread acceptance of nepotism results in preferential access to the public service and differential treatment of candidates for promotion. A successful career in Kazakhstan is viewed as an instrument for supporting family and clan members, therefore merit-based hiring and promotion are in conflict with the interests of a clan or other particularistic group.

### 4.7.3 Turnover and Compensation

According to Emrich-Bakenova (2008), the composition of the public service in Kazakhstan has changed dramatically since Kazakhstan gained its independence. In 2006, the number of public sector employees was 102,000, compared with over 1 million in 1994.* By January 2011, the overall number of employees decreased to 90,730; the proportion of public employees with higher education increased from 77% to 86% compared with 2006 (The Agency of Public Service Affairs of the Republic of Kazakhstan 2011).

The average age of public employees is 38 years and average tenure is 9 years (Turisbekov 2006), which indicates the turnover problem in the public sector. The relatively young age of many public employees—with 30% about 30 years and younger—suggests that these employees most likely do not have long-term commitments to a current job and view it as a starting point for their future careers in other sectors. The turnover rate in 2008 was 7.4% and the majority of resigned employees did not specify the reason for leaving the sector (Emrich-Bakenova 2009). Chun (2005) argues that the high turnover rate in the public service is due to insufficient compensation, which is considerably lower than in the private sector, the lack of opportunities for self-actualization, and the low efficiency of the governance system. The minimum pay of civil employees in 2011 was

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* Such a dramatic reduction in public service employment is explained by the change in status.
39,423 Kazakhstan Tenge (KZT) (US$265) and the maximum KZT 182,333 (US$1,223) (The Agency of Civil Service of the RK 2011).

However, official compensation does not include other financial benefits such as quarterly, vacation, and holiday bonuses. The quarterly bonus is paid every 3 months and constitutes 4 monthly salaries of an employee. The holiday bonus is a monthly salary paid before any official national holiday (Constitution Day, Independence Day, New Year, Nauryz, March 8, etc.). The vacation bonus is defined as a health allowance and paid once a year in the amount of a monthly salary. Bonuses and allowances account for up to 57% of total pay at the central government level and 30% at the regional level,* but these figures do not include political civil servants and they can be higher in institutions that pay additional bonuses based on savings on the material and wage budget (World Bank 2005). Given all these perks, the public service should be an attractive employment option. Yet, the private sector successfully competes for the workforce with the public sector.

At the same time, the bonus distribution in many cases is left to the discretion of a supervisor and typically is disconnected from performance evaluation. According to Emrich-Bakenova (2009), a number of vacant positions stay unfilled in order to distribute wage savings among certain employees; the distribution of saved funds is also at the discretion of a manager. Another problem is that compensation in the public sector depends on seniority, which often leads to young employees having a heavy workload and multiple responsibilities with lower compensation than senior employees. The unified compensation system also does not reflect differences in the cost of living in different regions of the country, leading to a disproportional compensation of employees (World Bank 2005). As a result, the current system of promotion and compensation is perceived by government employees as unfair, which leads to high turnover and low morale, and constitutes a serious threat to the professional public service.

4.7.4 Training

Turisbekov (2006) maintains that advanced training of public employees is one of the main priorities of the government in Kazakhstan. The Public Service Training Centre and Eurasian Training Centre were established to train, upgrade, and retrain public employees. In 2005–2006, the government allocated KZT 500,314,000 (roughly US$3,358,000) for public service training. In the course of public professional training more than 31,000 public employees participated in local training programs and 182 employees studied abroad in 2005. However, according to the UN Division for Public Administration and Development Management (DPADM 2004), nearly 40% of civil servants indicated that they have never participated in training.

The ACS reported that in 2010, 1051 public employees participated in a professional development program and 507 studied at the Academy of Public Service; 760 training seminars were conducted by the regional training centers for 14,000 public employees; other public agencies organized 775 training seminars for 17,343 employees; 112 employees from the central government studied abroad in the United Kingdom, Russia, France, the Netherlands, and Singapore (The Agency for Civil Service of the Republic of Kazakhstan 2011). Employees are provided with different types of training: professional development, retraining, and self-education. Programs include courses on public administration and general management, financial and human resource management, constitutional law, and market economics.

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* Civil servants at the central level receive on average between 22 and 28 monthly salaries per year, while at local and regional levels 16–18 salaries is the general rule (World Bank 2005).
4.7.5 Performance Standards

One of the most recent public service reforms was initiated in January 2007 following the presidential decree on “Measures to Modernize the Public Administration System in the Republic of Kazakhstan” (hereafter the Law). The Law defines performance management as a tool to improve quality, efficiency, effectiveness, and coordination of public service provision. The purpose of performance management is to develop professional awareness of the goals of the public service; it establishes service standards, performance rating, effectiveness audits, annual reporting, and client feedback through regular public opinion surveys. In order to implement these initiatives, the government started to invest in a computerized information system to create a management control database, training of qualified auditors, and performance management training (Kazakhstanskaya Pravda 2007).

Regardless of the existing shortcomings, the rationalization of state bureaucracy, establishment of performance evaluation criteria, and adoption of quality standards are evidence of progress toward a professional public service. Knox (2008) argues that worldwide governance quality indicators such as accountability, impartiality, efficiency, effectiveness, imperative of law, and control of corruption place Kazakhstan at a relatively high level compared with other Commonwealth of Independent States (CIS) countries, which indicates the ongoing success of public sector modernization.

4.7.6 Administrative Culture

Kazakh public bureaucracy inherited, from the Soviet Union bureaucracy, a culture of strict subordination within a highly centralized hierarchy. The benchmark for bureaucratic power was established in pre-Soviet times through a system of local subordination and central control (Ozernoy and Samsonova 1995). In addition to the Russian Imperial administrative practices and Soviet legacy, Kazakhstan inherited patriarchic traditions of the nomad past. According to Kangas (1995), in Kazakhstan during pre-Soviet times, power was based on traditional nomadic norms of seniority and values of loyalty passed from one generation to another. Politics was the art of family connections and loyalties. The political institutions “were loosely structured, almost confederal in design” (Gleason 2003). During the Soviet era, tribal connections did not disappear and continued to play an important role in political and social developments outside the party-state system (Starr 2006).

The Soviet administrative culture was based on societal mobilization to achieve the goals of the state and redistribution of social rather than individual benefits (Perlman 2007). A manager was expected to be an authoritarian and assertive leader with knowledge of production and humanistic concern for his fellow men. He was also expected to be paternalistic. Therefore, loyalty and obedience of subordinates were requested and rewarded.

Since the collapse of the Soviet Union, Kazakhstan has implemented many political, ideological, and economic reforms, but even these profound changes have not resulted in radical change of the national and bureaucratic culture. According to Ardichvili and Gasparishvili (2001), the current administrative culture in Kazakhstan is characterized by a high degree of paternalism. The role of the supervisor in paternalist cultures is to guide, educate, and protect the subordinates; in return the employees demonstrate loyalty and commitment to the supervisor’s policy. Low (2007) defines these relationships as “father-style leadership.” From Low’s perspective, such relationships have a number of benefits such as good team spirit, motivation, loyalty among employees, transfer of skills and knowledge, and increased employee input and feedback. However, the shortcomings
are autocratic decision making, full discretion of a supervisor over a subordinate, lack of critical feedback, and lack of initiative on the part of a subordinate.

Some scholars suggest that in transition countries a centralized form of government is more effective in promoting institutional democracy and establishing training and development that lead to a shift in public organizational culture from autocratic to democratic values. According to Witesman and Wise (2009), “decentralization may undermine democratization… [It may] limit government capacity to provide training necessary to achieve institutional democratization”; often democratic reforms face opposition from regional and local government elites.

The presidential decree on “Measures to Modernize Public Administration System in the Republic of Kazakhstan” (2007) officially defines major administrative values and related goals. Among them are effectiveness, transparency, accountability, client-centered service delivery, and professionalism. Some of these values are institutionalized faster than others.

Client satisfaction is the value that has inspired the creation of one-stop shops (OSSs) in Kazakhstan. OSSs are created as walk-in government offices to guide clients through all the necessary steps to receive particular government services. The OSS illustrates how administrative values are being formally established in the public sector of Kazakhstan. It is introduced to increase efficiency, effectiveness, and client-centered service delivery. The OSSs offer multiple services to clients and are located across the country in every city, district, or village. The waiting area is equipped with an electronic counting machine for orderly queuing, a coffee machine, and a small playground for children. Consultants are available to give advice on required paperwork and related documents. All employees are located in a large operation room, overlooked by video cameras and separated by glass walls to facilitate effective management. OSS services are also provided online. A brief satisfaction survey of 28 clients conducted by the authors in one OSS in Almaty revealed a high level of satisfaction with the front desk performance, service efficiency, and reduced corruption. Online government is adding to efficiency by allowing citizens to pay bills and communicate with the government from their homes.

Even with limited participation of citizens in political decision making of highly centralized government, the improvement of government services makes people feel better about the government and the president.

### 4.8 Budget and Fiscal Reforms in Kazakhstan

Historically, preparation of the budget of Soviet Kazakhstan was a function of the Ministry of Finance of Kazakhstan, which was integrated in an all-Soviet Union system of intergovernmental transfers. The all-Soviet fiscal system supported a highly integrated economy, which was completely overhauled by market reforms initiated by the Kazakhstan government and supported by the WB in 1991–1993. However, some budget practices show a strong survival tendency.

Prior to 1991, fiscal policies in Kazakhstan were largely determined by Soviet Union authorities in line with the State Economic Plan. Kazakhstan received considerable fiscal support in the form of transfers from the central budget of the Soviet Union. The purpose of these transfers was to facilitate the determined level of social assistance expenditures and to promote industrial development. By 1989, Soviet Union transfers accounted for about 10% of Kazakhstan GDP (Asian Development Bank 1996).

In 1991, when Soviet Union transfers dried up and the Kazakhstan tax base deteriorated, new Kazakhstan faced a serious problem of budget shortfalls. The republican budget experienced
falling receipts from state-owned enterprises, which were shutting down and unable to sell their products, and from individual income tax, which reduced as people started losing jobs.

With an accumulating budget deficit, the Kazakhstan government had to seek help from international institutions. Initial IMF loans helped to optimize the budget by restructuring expenditure through cutting social assistance to vulnerable populations and divesting enterprises of social assistance programs, which was the standard approach of IMF and the WB in developing countries.

To support the failing economy, the Kazakhstan government has emphasized the development of the hydrocarbon sector at the expense of other sectors. Already in 2000 the strategy started paying off and the president of Kazakhstan announced that the country had paid back the loan from the IMF prematurely. However, the country’s dependency on the oil sector continued to grow. Tax policy was strongly skewed to heavy reliance on oil revenues.

The legal act that establishes and regulates taxes in Kazakhstan is The Code of the Republic of Kazakhstan on Taxes and Other Obligatory Payments to the Budget, also known as the Tax Code. It was adopted in 2008 and came into effect in January 2009. Table 4.1 shows how the recent Tax Code determines the major tax categories.

Revenues from corporate income tax (CIT) on oil producers, refineries, and oil transport shape the budget of the Republic of Kazakhstan. The whole economy of the country depends on oil production, which defines the CIT and VAT as two major taxes. The revenues from oil exports define

### Table 4.1 Taxes in Kazakhstan, 2009

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax (CIT)</td>
<td>20% in 2010, both for resident legal entities and nonresident legal entities.</td>
</tr>
<tr>
<td>Value added tax (VAT)</td>
<td>12% applies to sales turnover and to imports to Kazakhstan.</td>
</tr>
<tr>
<td>Branch profit tax</td>
<td>15% is paid on the net income after corporate income tax by foreign legal entities.</td>
</tr>
<tr>
<td>Personal income tax (PIT)</td>
<td>10% for residents and 15% for nonresidents.</td>
</tr>
<tr>
<td>Property tax</td>
<td>1.5% of the value applies only to the buildings from legal entities.</td>
</tr>
<tr>
<td>Social tax</td>
<td>11% of salaries and in-kind benefits of employees, paid by legal entities.</td>
</tr>
<tr>
<td>Excise tax</td>
<td>Varies. Applies to alcohol, liquor, tobacco, gasoline, vehicles.</td>
</tr>
<tr>
<td>Rental tax on exports</td>
<td>0–32% applies to export of crude oil, gas condensate, and coal. Tax rate depends on the cost of a barrel in the world market.</td>
</tr>
<tr>
<td>Vehicle tax, other taxes, environmental pollution fee, other state fees and dues.</td>
<td>Other taxes include gambling businesses. The state further levies fees on registration, licensing, environment pollution, the use of water resources, forests, etc.</td>
</tr>
</tbody>
</table>

Public Sector Reforms in Kazakhstan

the level of public service provided by government agencies and the level of central government intervention in national economic development, with oil-generated receipts estimated at a level of 20% of budget revenue in 2002 (Najman et al. 2005) and at a rate of 37% of budget revenue in 2006 (Usui 2007; Daly 2008). A large part of the oil revenues is deposited into the National Fund of the Republic of Kazakhstan. The function of the national fund is to create monetary reserves, to stabilize economic downturns in times of crises, and to support innovative industrial undertakings.

The financial crisis of 2008–2010 pushed Kazakhstan to strengthen its tax collection from gas and oil and other production sectors through more active engagement of the Audit Committee for Control over Execution of Republic’s Budget (Audit Committee). The Audit Committee annually reviews oil production volumes, world prices, and taxes paid locally to ensure tax compliance. In 2009, Prime Minister Karim Massimov ordered the government to draft new tax rules to revoke tax exemptions for foreign firms engaged in major oil and gas extraction. Kazakhstan also doubled the tax from oil exports to $40/metric ton ($5.46/barrel). The goal of these reforms was to support the economic diversification program. According to the program’s intentions, taxes in the oil, gas, and key metals sectors were to be increased, while taxes for smaller businesses in other sectors of the economy were to be reduced. The tax increase for the extracting sector followed the requirements of the new Tax Code in contrast to the old taxation rules, which were established immediately after independence, when many foreign extracting companies took advantage of the dire financial situation of Kazakhstan to bargain for favorable conditions for foreign direct investments and negotiate high tax exemptions.

Following the newly established tax compliance oversight, in 2010 the Audit Committee accused Italy’s Agip KCO and U.S. oil service company Parker Drilling of evading millions of dollars in taxes. Agip and Parker Drilling Company International were found to be noncompliant, underpaying around $66 million in taxes. The year 2010 was the year of termination of special privileges for oil extractors in Kazakhstan. Collected oil taxes boosted the economy of Kazakhstan in April 2011, when direct revenues to the National Foundation from the oil sector surpassed US$2.4 billion (Oxford Analytica 2010).

4.8.1 Allocation of Budget Expenditures in Kazakhstan

In the Republic of Kazakhstan, the Budget Code of 2004 established three levels of budgetary system: republican (central) budget, oblast (provincial) budget, and raion budget (district, township, or municipal/village budgets).

The Budget Code stated that all budgets are independent. Locally, governments were allowed to levy local fines and fees for services. However, the most important budget decisions that deal with economic development and social services continued to be made centrally because of the strong redistributive function of the republican budget. In Kazakhstan, oblasts are unequally endowed with resources and economic opportunities. Some oblasts with oil and natural gas deposits contribute much more revenue to the republican budget. Collected revenues are redistributed from the republican budget to economically depressed oblasts, whose revenues are not sufficient to cover the cost of local social programs even at the basic level. Practically, the republican budget has the same functions and responsibilities as the old Soviet central budget—to pay for public services at the level established by the central government to ensure that local budgets receive sufficient funds to provide the entitlement services to people. The redistributive function of the central budget serves to reduce poverty in depressed regions and at the same time provides too much discretion to the Ministry of Finance, making it a powerful political player (Nezhina 2002).
At the time of the major reforms of 1992–1999, the local tax base became unsustainable because economic activity sharply declined and local property tax was unheard of in Kazakhstan because housing dwellings belonged to the state. The income tax was not sufficient to cover local government expenditures; people continued losing their income as the unemployment rate grew from 0% under Soviet rule to an unprecedented 11%–13% in 1992–1999. The real unemployment rate was probably twice as high, if we include people who were registered as employed, but, in fact, stayed home on unpaid leave or worked for months with no compensation (Gürgen et al. 1999). The official number of people below the poverty level reached 34.6% in 1996 (Murthi et al. 2002, 4). In this situation, the central government had no alternative but to continue redistributing revenues from the more affluent oblasts to the poorer oblasts, which traditionally were located in the south and engaged in agriculture.

The Budget System Law was passed in the Spring of 1999 in an effort to establish an intergovernmental fiscal system. This Law regulates fiscal relationships between the republican- and the oblast-level governments by assigning certain taxes to the oblast level and defining the size of central budget subventions. However, the current assignment of responsibilities between the oblast and raion levels of governments (towns and villages) is not formally prescribed by any legal act. The lack of budget regulation at the lower levels of government has created ample opportunity for favoritism and corruption (Makhmutova 2001; Nezhina 2002).

Another law, On Local Government, from 2001, broadly defined jurisdictions of oblast and city and raion administrations. One important feature of this law is the provision allowing oblast akims (heads of administration) to propose the structure of lower-level municipal administrations (Makhmutova 2001). In general, the law On Local Government defined the responsibilities of oblast and raion city akimats very broadly. These responsibilities overlap a great deal; the limits of responsibilities are blurred. WB experts reported that the current system grants oblasts a federal regime status with almost complete freedom to structure and manage their relationships with raion, town, and municipal governments. However, increasing the efficiency of decentralized expenditure would require formal, explicit assignment of responsibilities and revenues between the second and the third tiers of government (Report No. 20489-Kazakhstan). Informal fiscal relations between oblast and raions are ripe with possibilities for favoritism and untargeted funds transfers and sometimes foster corruption.

4.8.2 Budget Transparency in Kazakhstan

The budgeting process and decision making on expenditures are not transparent in Kazakhstan. Two surveys conducted by the Sange Research Center in Kazakhstan in 2005 and 2010 show that the country falls short on the Open Budget Index, which is calculated from 1 to 100 based on the practice of open publication of budget documents. The scores for 92 questions from the Open Budget Survey 2010 were used to compile scores and rankings of Kazakhstan transparency (Open Budget Index 2010).

Kazakhstan’s OBI 2010 score is 38 out of 100, which is lower than the average score (42) for the 94 countries surveyed. Kazakhstan’s score indicates that the government provides the public with minimal information on the central government budget and government financial activities (Open Budget Index 2010).


The law defines local as different from central, which refers to the oblast (province) level of government.

Kazakhstan’s fiscal prospects are reassuring because oil prices continue to rise. In the first 2 months of 2011, state budget data showed that the budget recorded a small surplus, of KZT 20 billion (US$136 million). The increase in tax revenue—which accounted for 90.4% of total revenue—was the main factor behind the 25% year-on-year increase in revenue (The Economist Intelligence Unit 2011). In anticipation of growing revenues, the president of Kazakhstan has identified priorities for development in the period 2011–2020, which highlight fast growth of innovative technologies and investments in education and health.

4.9 Accountability and Corruption

The Corruption Perceptions Index, compiled by Transparency International, ranked Kazakhstan 120 in 2009 and 105 in 2010 out of 178 countries, with an improvement of 15 points from 2009 to 2010 (Table 4.2). Public officials argue that this improvement is due to the anticorruption measures implemented by the government (Arystanov 2011). However, Table 4.2 illustrates the fluctuating nature of the Corruption Perceptions Index, with temporary improvements in 2005 and a worsening index in the following year.

Zhandosova et al. (2007) differentiates between two types of corruption: political and administrative. These types of corruption coexist in equal proportions in developing and transition economies. According to Cummings (2005) and Heinrich (2010), the political corruption in Kazakhstan is characterized by the formation of political elite groups, which consist of the nation’s titular ethnic group with family or clan connections.

Table 4.2  Kazakhstan Corruption Perceptions Index
2001–2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Place of Kazakhstan (1 is the Least Corrupted)</th>
<th>Corruption Perceptions Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>71</td>
<td>2.7</td>
</tr>
<tr>
<td>2002</td>
<td>88</td>
<td>2.3</td>
</tr>
<tr>
<td>2003</td>
<td>100</td>
<td>2.4</td>
</tr>
<tr>
<td>2004</td>
<td>122</td>
<td>2.2</td>
</tr>
<tr>
<td>2005</td>
<td>107</td>
<td>2.6</td>
</tr>
<tr>
<td>2006</td>
<td>111</td>
<td>2.6</td>
</tr>
<tr>
<td>2007</td>
<td>150</td>
<td>2.1</td>
</tr>
<tr>
<td>2008</td>
<td>145</td>
<td>2.2</td>
</tr>
<tr>
<td>2009</td>
<td>120</td>
<td>2.7</td>
</tr>
<tr>
<td>2010</td>
<td>105</td>
<td>2.9</td>
</tr>
<tr>
<td>2011</td>
<td>120</td>
<td>2.7</td>
</tr>
</tbody>
</table>

The formation of elite groups dates back to the early 1990s when Soviet-era officials from political and industrial backgrounds came to occupy the most influential positions in the presidential administration, central and local government, and Parliament. Young businessmen who established themselves in business during Gorbachev’s reforms and technocrats who graduated from leading Moscow universities during Soviet times joined the elite in the early 2000s and occupied high-rank positions in government and key economic institutions. According to Heinrich (2010), these small groups of public officials are recycled through government positions. As mentioned above, the end of the term of a high-rank official often leads to the end of the term of his/her team, which results in the formation of permanent working teams, which are often corrupt. Cummings (2005, 117) argues that there is “a symbiotic relationship between elites and institutions”; the institutions protect and strengthen the political elite and the elite in return shapes the institutional architecture. At the same time, she concludes that continuity and change coexist in elite systems and the strong sense of pragmatism in institution-building allows ideological confrontation to be avoided or postponed (Cummings 2005). The members of elite groups benefit from their positions in a number of ways: some benefits are connected to oil production, abuse of position, and direct bribe extortions. The groups also enjoy immunity from any of their actions unless they engage in political and economic activities that challenge the president’s power (Dave 2007).

The struggle between elite groups became evident in 2009 and resulted in open confrontation between law enforcement agencies, namely KNB, the Financial Police, and the Ministry of Internal Affairs, which started filing a court case against each others’ employees. In spring 2011, the Financial Police together with the National Security Council reported that high-rank customs officials had formed an organized criminal group that consisted of 100 officials. All of them were arrested and the head of the customs service was released from his position (International Information Agency 2011). Interviewed local analysts argue that the elite groups are aiming to “replace state institutions by creating their own network of loyalty from their appointees” and reduce the influence of government structures.

Administrative corruption is the highest in the police, customs, and judiciary system. Forty percent of employees are engaged in corrupt activities on a regular basis (Trust Law 2011). Most importantly, the general public, while complaining about the high rate of corruption, prefers informal and fast ways to receive service or to solve any problem with the police, for instance, by bribing them. A brief survey among 40 Almaty drivers revealed that 100% of respondents preferred to give money to a police officer when charged for violation of traffic rules to paying an official fine. The average price paid to traffic police is KZT 2000. The respondents reported that they were stopped by the road police at least once every 2 weeks, so a simple calculation reveals that annually the city budget loses at least KZT 80,000,000,000. According to a survey conducted in 2006, 72% of organizations and 62% of citizens used informal ways of receiving services or solving problems by bribing public officials (Turisbekov 2007).

In order to reduce the level of corruption, the president and government introduced a comprehensive legal and institutional framework, began implementation of an e-government program, initiated a public awareness campaign, and increased salaries in the public sector to make it comparable with private companies. The most significant salary raise (by 300%) is expected in the traffic police (Trust Law 2011).

The legal framework includes the Law On the Fight against Corruption, adopted in 1998, which has provisions in the Criminal Code criminalizing any kind of bribery: offering bribes, receiving bribes, and abuse of office. The Law on Public Service (1999; http://www.kyzmet.kz), Code of Public Service Ethics (issued in 2000, amended in 2005), and a number of presidential decrees on anticorruption measures reinforced the political decision to eliminate corruption. The laws are enforced
by anticorruption ministries and agencies such as the Agency of the Republic of Kazakhstan on Fighting Economic and Corruption Crimes, National Security Committee, Ministry of Internal Affairs, and Agency of Public Service. In addition to the legal provision, a number of national anticorruption programs were introduced and partially implemented. The latest program was adopted in May 2011. Public officials reported that the programs showed evident results and that “40 officials at national level and 250 officials at regional levels were charged with criminal offences. Criminal cases were filed against a minister of environmental protection and a minister of health care, a chairman of the statistics agency, vice-ministers of the Ministry for Emergency Situations and the Ministry of Defense, the chairmen of ‘Kazakhstan Temir Zholy’ (Railways of Kazakhstan), ‘KazMunayGaz’ (National Oil Company), and ‘Kazatomprom’” (News Bulletin of the Embassy of the Republic of Kazakhstan 2011). However, local analysts suggest that anticorruption measures are a part of intentional managed tension created by President Nazarbayev. On one hand, he gained public attention and increased his popularity. On the other hand, he made the elite groups understand that the president had full control over the situation. Moreover, it seems that the conflict between elite groups was initiated by and controlled from the top.

4.10 Conclusion

Since independence, Kazakhstan has identified clear priorities: economic and legal reforms first, political reforms later. As a result, the Republic of Kazakhstan has been the most successful among the CIS countries in implementing substantial economic reforms. Most of the reforms were centrally planned by the president and implemented even in the face of resistance from the Parliament or prime minister. The Kazakh market is attractive now for foreign investments, which are effectively protected by new laws. Kazakhstan’s economy still greatly depends on oil and other natural resources’ extraction and sales, but recently the president launched a national program of accelerated innovative industrial development to reduce this dependency and diversify the economy. Given growing oil and gas prices and the increasing demand for energy resources, Kazakhstan enjoys steady budget surpluses even in the face of international financial crisis. Should time and energy prices allow for this situation to persist, Kazakhstan may have a good chance to invest in technological development and break the cycle of raw materials dependency.

Political reforms were initiated in Kazakhstan to balance political power between the political institution of the presidency and the elected representatives, and to gradually transfer from an autocratic system to an effective system of checks and balances. The constitutional amendments of 2007 gave more power to the Parliament, but the president retained strong veto power, the authority to appoint and dismiss leaders of the executive branch and dissolve the Parliament, and power to issue decrees having a force of law. Nevertheless, the central autocratic form of leadership accelerated modernization of public services and allowed to make significant progress in rationalization of state bureaucracy, implementation of quality standards, adaptation of performance standards, and enforcement of anticorruption measures. The centralized system worked effectively, promoting institutional effectiveness and democratic administration, and led to a shift in public organizational culture toward favoring traditional democratic values such as client orientation, effectiveness, transparency, accountability, and professionalism.

However, the centralized system and traditional popular respect for authority led to low effectiveness of civil society. People in Kazakhstan show little trust and recognition of local NGOs and when the need arises they rely on the government and their social networks for assistance. Most NGOs still largely depend on foreign funding and adjust their missions according to their
donors’ agendas. In Kazakhstan, independent and oppositional media is controlled and politically harassed; evidence of this includes multiple violations of the legal rights of journalists to receive information from government agencies and closure of newspapers. As a result, the civil society and the mass media are unable to place significant constraints on or conduct independent investigations of the behavior of public officials or politicians.

Hierarchical accountability and dependence of local government on the decisions of central government apparatus for resources lead to favoritism and corruption. Budget allocation decisions that deal with economic development and social services are made by central government authorities and often fail to provide regions with adequate funding to meet local needs.

Political corruption and fierce competition for power and natural resources represent the most serious threats to the development and stability of the country. The lack of informal and formal checks and balances in the power system, weak accountability of public officials, a powerless Parliament, and corrupt law enforcement stall anticorruption measures in political and administrative circles in Kazakhstan. Many people fear that withdrawal of President Nazarbayev from the political arena in Kazakhstan may ignite power wars between elite groups, which monger for economic and political domination. Huge oil resources and their potential profits because of the world’s energy deficit make the situation in Kazakhstan prone to serious civil conflict that elite groups will draw the common people into for personal gain. Therefore, in the absence of an alternative popular figure in the political arena of Kazakhstan, the people of Kazakhstan have vested their trust and hope in Nazarbayev, viewing him as a “philosopher-king” who is disinterested in power and able to preserve peace and stability. A change of a leader seems to be akin to a change of system, which people experienced in 1992, with a resulting economic and social catastrophe. People have continuously demonstrated a high level of trust in President Nazarbayev through elections since he was first elected president in 1992. This trust has placed a serious obligation on President Nazarbayev to make the lives of people in Kazakhstan better by choosing a strategy to preserve interethnic peace, which he has succeeded in doing in the past, to ensure economic sustainability, and to institutionalize fair distribution of the natural wealth of Kazakhstan among its people. Time will show whether the president and his team can stand for popular aspiration.

References


AU: The reference Government of the Republic of Kazakhstan 2011 is not cited in text. Please insert a cross-reference in a suitable location or delete from list.


Open Budget Index. 2010. Sarge Research Center, Kazakhstan.


AU: Please provide a cross-reference in a suitable location or delete from list.


