

Chapter 8



Local Government
in Kazakhstan

by

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Developing New Rules in the Old Environment

Local Government in Kazakhstan

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1. Major General Indicators

The Republic of Kazakhstan is located in the middle of the Eurasian landmass. Extending over a territory of 2,725,000 square kilometers, it is the second largest republic of the former Soviet Union and the ninth largest country in the world. The republic borders Russia to the north and northeast, China to the southeast, and Turkmenistan, Uzbekistan and Kyrgyzstan to the south.

According to a census taken in 1999, Kazakhstan has 14,953,000 inhabitants, fifty-six percent of whom live in urban areas. Since 1991, the population has decreased by almost 1,500,000 people, due to the social and economic crisis, which has produced migration and lower fertility rates. The average population density is 5.5 people per square kilometer. Kazakhs compose the majority of the population (53.4 percent), although Russians account for a significant minority (thirty percent). The former capital, Almaty, remains a financial, business and cultural center with a population of 1,130,000. Astana, the new capital, has a population of 319,000 and is growing rapidly. Kazakh is the official language, but is used co-extensively with Russian.

In Kazakhstan, there are fourteen *oblasts* (regions), two cities with special status, eighty-four cities, thirty-nine of which are of national and oblast subordination; 160 *raions* (districts); ten city districts; two hundred towns and 2,150 rural counties. More detailed information on the administrative-territorial division and population of Kazakhstan may be found in annex 8.2.

Administrative-territorial division is the organizational, legal, social and economic basis for the system of local government. The administrative-territorial structure in Kazakhstan is distinguished by its traditional division into administrative units of equal status. According to legislation, all raion, city and oblast administrations (*akimats*) have equal powers regardless of their economic potential, population or size. Exceptions to this rule are Almaty and Astana, whose representative and executive bodies are assigned broader powers by specific laws addressing the status of these cities.

After the capital was moved from Almaty to Astana, the government adopted a Law on the Special Status of Astana City (1 July 1998), which stipulated financial, economic and social incentives to ensure future development of the city. The same year also saw the passage of a Decree on the Status of the Capital City of the Republic of Kazakhstan. In addition, the Law on Establishing Special

Economic Zones (SEZ) in Astana had previously been passed on 9 October 1996. This law envisaged a special legal regime of taxation and customs regulation, but was subsequently abolished on 1 January 2001. Shortly thereafter, on 15 January 2001, the Law on the Budget System was amended to incorporate special procedures for formulating the Astana city budget.

Kazakhstan is divided into the following tiers of local government:

- Third (oblast) tier, which includes the local state administrations, that is, the executive and representative bodies in fourteen oblasts and two cities, Almaty and Astana;
- Second (raion) tier, which includes the local state administrations, that is, the executive and representative bodies in 160 raions and seventy-nine cities of raion status;
- First (rural) tier, which includes the local administrations, that is, executive bodies in towns, villages (*auls*) and rural counties.

1.1 Overview of Social and Economic Reforms

Since the declaration of independence in December 1991, the economic, political and social structure of Kazakhstan has experienced considerable change. (Major social and economic indices from 1991 to 2000 are listed in annex 8.1).

Until the introduction of the national currency, the country was completely dependent on the social, economic and political transformations in Russia. In particular, the single currency environment meant that monetary, crediting and budgetary policies were unavoidably dictated by the Central Bank of Russia. With the launch of the Kazakh *tenge* (KZT) in November 1993, the government was able to initiate an independent macroeconomic policy.

In 1994, the Kazakh government adopted an anti-crisis program for the purpose of promoting macroeconomic stability and institutional transformation. At that point, the main focus was on developing a legal and regulatory base for economic reform. Between 1995 and 1998, the government undertook additional measures to create conditions for a market economy. Key documents included a medium-term program for further reform of the banking system and programs for step-by-step transfer of social and economic organizations to local budgets, for developing the securities' market, for promoting employment growth, for developing small and medium businesses, for supporting entrepreneurial activity and for privatizing and restructuring entities in state ownership.

The practice of establishing special economic zones became widespread, as did the transfer of enterprises into trust management by foreign companies. These companies consequently obtained preferential rights to privatize these enterprises. Management of state funds was cardinaly reformed and the taxation system was modernized. Due to mass privatization, the share of the private sector in the national GDP grew from twenty percent in 1994 to fifty-five percent in 1997.

Implementation of these anti-crisis programs created the organizational, legal and economic prerequisites for a transition to market economy. However, reforms were often contradictory to one another and faced many obstacles. Although they produced positive change in the economy and society, they also generated negative consequences related to market transformation.

The country managed to achieve macroeconomic stabilization and in 1996, for the first time in five years, GDP grew by 0.5 percent compared to the previous year. This trend strengthened in 1997 as GDP increased by 1.7 percent and inflation declined to 11.3 percent. In comparison to 1991, however, the level of GDP had decreased by almost half and the living standards of the overwhelming majority of the population had deteriorated dramatically.

Nor was economic growth stable. Due to the impact of the financial crises in Russia and Southeast Asia, the level of GDP decreased by 2.5 percent by the end of 1998. Kazakhstan pursued a policy of supporting the overstated tenge rate at a time when national currencies were devalued in virtually all the CIS countries, its main trade partners. This damaged the competitiveness of Kazakh goods in both foreign and domestic markets, resulting in a further fall in production.

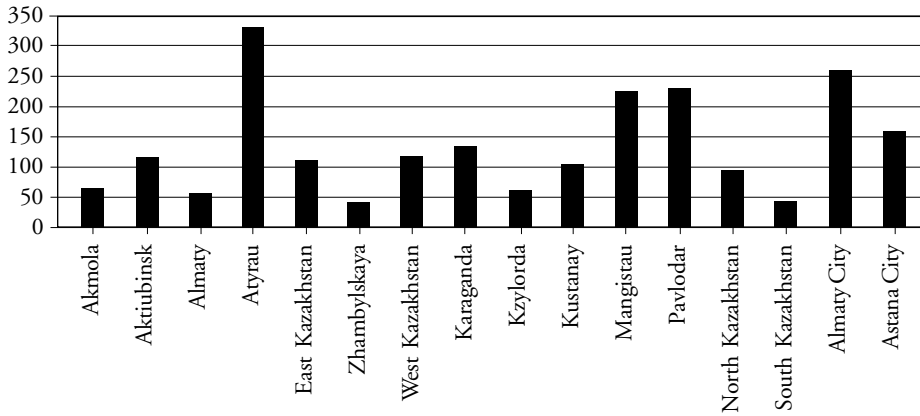
In 1999, the Kazakh government made the decision to float the *tenge* and enact a twofold budget sequester, thereby achieving macroeconomic stability, a key precondition for revitalizing the real economic sector. In 1999, per capita GDP was KZT 152,610.70, or USD 1,049.90. In 2000 the production volume increased by 114.6 percent compared to 1999. As of 1 January 2000, the rate of inflation stood at 9.8 percent and total national debt was approximately USD 4.5 billion, or USD 307 per capita.

At the beginning of 2000, there were 2,626,000 senior citizens in Kazakhstan; 3,376,800 students in state and private schools; 8,597,000 citizens of working age; and 6,105,000 employed in the economy. At that time, the minimum pension was KZT 3,000, an amount twelve percent lower than the living wage.¹ This was since increased to KZT 4,000 in 2001.

Poverty and unemployment remain urgent problems due to the steep decline in living standards throughout the transition period. From 1991, when the Law on Minimal Consumer Budget was revoked, until 1999, when the Law on the Living Wage was passed, legislation lacked a regulatory definition of the living wage. In 1999 the real income of the population was only ten percent of the 1991 level. Low salaries, pensions and benefits placed the majority of the population on the brink of survival. In 2000, the official unemployment figure was 231,400 people, or 3.7 percent of the economically active population. However, the actual unemployment level, calculated according to ILO methodology and taking into account self-employed individuals, approximated thirty percent.

Regional differences, which had always existed in Kazakhstan, became still more acute during the transition process. Due to mixed results of the reform process, the social and economic disparities among regions have widened, as shown in figure 8.1.

Figure 8.1
Per Capita GAV (Gross Added Value) by Oblast, 1999
[KZT thousands]



Per capita GAV is above average in Almaty city and Atrrau, Mangistau and Pavlodar oblasts. These are industrially developed regions, rich in strategic resources. GAV production in Atrrau oblast alone exceeds the combined levels of Akmola, Almaty, Zhambylskaya, Kyzylorda and South Kazakhstan oblasts.

Towns, medium-sized cities, remote rural areas and ecologically affected territories require special attention. The economies of most towns and medium cities that developed around industrial objects (Tekeli, Zhetikar, Zhanatas, Karatau and others) are in deep crisis and need active government support. The major problems facing towns include the decline in production and living standards, the growth of unemployment and continuing migration, especially of qualified specialists. In light of these difficulties, local executive bodies are not equipped to lead their towns out of crisis independently. Almost all agricultural raions fall into the category of areas in crisis. Unfortunately, programs to support small towns are fragmentary, selective and short-term.

These issues may be resolved if the government is able to maintain stable growth. However, a steadily growing national economy and politically stable society cannot be established without first equalizing inter-regional differences, overcoming crisis phenomena and addressing the development lag in certain territories. In order to facilitate sustainable, long-term economic development—a key goal of state policy—the resource and production potential of the regions must be utilized more rationally and thoroughly. The Kazakh government has passed a vast quantity of laws and resolutions over the last ten years to regulate the social and economic development of regions. The content of this legal base exhibits a transition from direct government management to more flexible mechanisms for government regulation of local economy.

Legislation aimed at promoting the real rights and responsibilities of local governments should both strengthen regional authority and increase regional responsibility for the implementation of economic reform.

2. Legal and Constitutional Basis

The process of local government reform in the former Soviet Union began in April 1990, with the passage of the Law on General Principles of Local Self-government and Local Economy.

This law laid the foundations for the future reform of local government in Kazakhstan. On 15 December 1990, the Law on Property in the Kazakh SSR was adopted. According to this law, property was subject to decentralization and could be classified as one of three categories: federal, republic or local. Local property referred to communal assets which local councils could own, use and dispose of on behalf of the given administrative-territorial unit. In addition, the councils of subordinate territories obtained the right to own, use and dispose of assets in state ownership.

On 15 February 1991, the Law on Local Self-government and Local Councils in the Kazakh SSR was passed. This law determined the material and financial basis of government and specifically addressed the level of self-government in the following sections. The law established the supremacy of representative bodies and assigned the chairman of the executive committee to the position of local council chairman. It also established extra-judicial procedures to review and resolve disputes between councils of different tiers. Higher-level councils were vested with the authority to review and solve these issues, even though the same law provided for contractual relations and delegation of powers by the mutual consent of the councils.

However, this law did not differentiate between local public administration and local self-government. Local public administration was structured according to a uniform system of state power. Local bodies of the state authority, including village and rural county councils were formed through local elections and recognized as local self-governments. These representative bodies in turn established local executive bodies.

Amendments to the Law on Local Self-government and Local Councils of Kazakh SSR for the Transition Period were passed on 13 January 1992. The new law substituted the principle of “differentiation between the functions and powers of representative and executive bodies” for the previously stated principle of “supremacy of representative bodies.”

Interestingly enough, the Supreme Council adopted the Law on the Suspension of the Validity of Some Constitution Norms during the Transition Period on the very same day. These norms were related to structural changes in local governments and allowed the gradual differentiation of council and executive body functions. The law introduced an institution of undivided authority, with the

head of local administration accountable to the president or head of oblast administration and controllable by the respective council.

The law particularly underscored the point that local councils “did not have the right to review issues related to the competence of heads of administration,” and heads of local administration were no longer “entitled to review the issues in the competence of the respective local councils.”

On February 7, 1992 the president signed a Decree on Improving the Organization and Activities of Public Administration Bodies under the Conditions of Economic Reform. This decree established for the first time a uniform structure of executive administration from the president to heads of local administration and stipulated the responsibilities of the Cabinet of Ministers in the strategic supervision of all executive power.

In the period between 1991 and 1993, local councils and newly established local administrations vied with each other on many issues of local importance, often duplicating each other’s powers. Consequently, heads of local administrations (*akims*) began to acquire more powers, while full-fledged institutions of local self-government were absent. In the end, the introduction of administration heads restored the vertical structure of executive power.

On 28 January 1993, the Supreme Council passed the first Constitution of the independent Republic of Kazakhstan, which preserved local representative bodies and even declared their right to make independent decisions within their competence.

Immediately prior to dissolving itself, the Supreme Council adopted the Law on Local Representative and Executive Bodies (19 December 1993), which designated a completely new model of self-government. First, the concepts of “state administration bodies” and “executive bodies formed by the councils” disappeared entirely. Second, representative bodies (*maslikhats*) no longer created local executive bodies and the head of local administration represented the president, not local citizens. Third, representative bodies were formed at the oblast and raion levels only, not in rural settlements (*auls*). These representative bodies were no longer called local self-governments, though they were considered to represent the population and entitled to express and implement the will of local inhabitants with due consideration of national interests. Fourth, the law replaced the concept of “local self-government” with that of an “assembly of representatives of the citizens of a town or rural county.” Nonetheless, the citizen assembly is the body that exercises government powers in rural areas. This is only confirmed by the fact that the heads of rural administration establish the representation quota for the assembly, convene the assembly at their own initiative or by the initiative of at least one third of the members of the previous assembly and chair assembly sessions. The law also establishes that assembly decisions within its competence are binding for all inhabitants residing on the respective territory.

In essence, this law narrowed the concept of local self-government to the village level and then stripped it of real meaning. Higher authorities, that is, raion, city and oblast maslikhats, remain

agencies of public administration, despite the fact that they are called local representative bodies. According to this law, oblast maslikhats became responsible for approving provisions on the bodies of territorial self-government within their oblasts. This article was taken directly from the Law of Kazakh SSR on Local Self-government prior to its amendment.

The Constitution of the Republic of Kazakhstan, adopted on 30 August 1995, established the general principles and directions of public administration reform. According to the Constitution, the Republic of Kazakhstan is a unitary state, a principle which determines its organizational structure. The nation is governed by the president (article 2) and a bicameral Parliament composed of the Senate and the *Majilis* (article 50). The government heads the system of executive bodies and administers their activities (article 64). The structure of public administration is shown on Figure 8.1.

The Constitution also recognized the rights of local self-government (article 89) as well as local government (article 85). Bodies of local public administration include local representative bodies (oblast, raion and city maslikhats) and local executive bodies (oblast, raion and city akimats and rural akims). Maslikhats express the will of the inhabitants in the respective administrative-territorial units with due consideration of national interests, determine measures for its implementation and control their realization (article 86). They are elected by inhabitants of the respective administrative-territorial unit through general, equal and direct vote by secret ballot for a term of four years. The number of maslikhat members is determined by the Central Electoral Commission of Kazakhstan within the following limits: up to fifty in the maslikhats of oblasts, Astana and Almaty; up to thirty in city maslikhats; and up to twenty-five in raion maslikhats.

According to article 87 of the Constitution, the akim of the administrative-territorial unit heads the local executive authorities and represents the president and government of the republic.

In closing, the Constitution stipulated that current legislation must be made to conform to constitutional provisions within a two-year period. It was thus imperative to pass the Law on Local Public Administration and the Law on Local Self-government. However, draft laws remained under discussion in Parliament for five years, creating a legislative gap with regard to the regulation of local public administration and self-government issues.

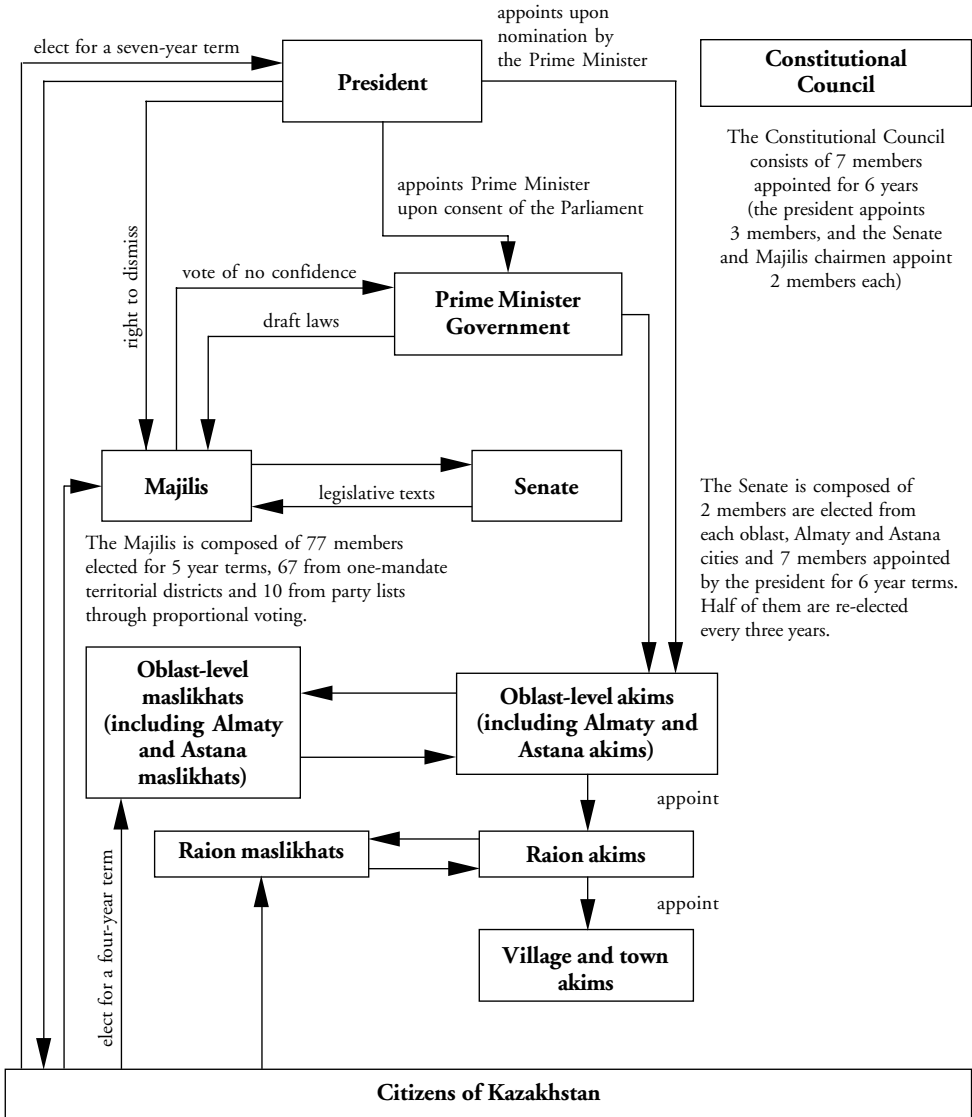
The Law on Local Public Administration in Kazakhstan was finally passed in January 2001, outlining the following basic concepts:

Local public administration is defined as activities carried out by local representative and executive bodies in order to implement or develop state policy on local territory within their competence as determined by legislation.

The local executive branch, or akimat, is headed by oblast-level akims (including akims of Almaty and Astana cities) or raion-level akims (including akims in cities of oblast subordination), who implement local public administration on the respective territory within their competence. Akims represent the

president and government of Kazakhstan and head the local executive body. They are responsible for realizing state policy within local territory, for coordinating territorial divisions of central administration agencies and for administering executive bodies funded from the local budgets. Furthermore, the akim is also responsible for economic and social development in the given territory.

Figure 8.2
Structure of Public Administration in Kazakhstan



The local representative body, or maslikhat, is elected by the inhabitants of the oblast or raion. This body expresses the will of the citizens, determines measures to realize this will and controls their implementation. Villages and small towns do not possess maslikhats.

This law also enumerates the major obligations and limits applying to local representative and executive bodies. They may not make decisions that contradict national foreign, internal, financial and investment policies; they must support the interests of national security in Kazakhstan; they must adhere to established national standards for activities of national importance; and they must observe the rights and legal interests of citizens. Maslikhats and akimats are prohibited from making decisions that impede the creation of uniform labor, capital and financial markets and the free exchange of goods and services within Kazakhstan. Territorial development plans passed by maslikhats or akimats should correspond to national strategic development plans.

In addition, the Laws on the Status of the Capital City of Kazakhstan and on the Special Status of Almaty City grant further powers to those local executive bodies.

3. Local Politics, Decision Making

3.1 Public Participation in Decision Making

Citizens exercise their right to participate in the local decision making process through maslikhat elections. Citizens over eighteen years old have the right to vote. Citizens over twenty may run for election to maslikhats at all levels, but are prohibited from being a member of more than one maslikhat at a time (article 86, item 3 of the Constitution). As members of the maslikhat, they express the will of local inhabitants with due consideration of national interests (article 20 of the Law on Local Public Administration). Public participation in the elections is voluntary.

The Constitution of the Republic of Kazakhstan stipulates for national referenda as a form of direct democracy. Article 3, item 2 specifies that people exercise their power through national referenda, while article 33, items 2 and 3 stipulate the right of citizens to participate in national referenda. The law does not envisage local referenda.

Kazakh legislation proclaims the right of citizens to participate in issues of state administration directly and indirectly through representatives. Citizens may appeal individually or collectively to their public administration bodies and local self-governments. Article 87 of the Constitution even grants local inhabitants the right to impeach the akim through the local maslikhat. However, this is not so easily done in practice and thus far there have been no such instances in Kazakhstan.

Also, citizens may propose issues to be discussed in maslikhat sessions or by its standing commissions, either to their representatives in meetings with their constituency or to local self-government bodies

and agencies. Citizens may submit inquiries or appeals to the local executive bodies and agencies located in the territory of the respective maslikhat on issues within its competence.

The role of citizens in decision making is primarily exercised in maslikhat elections. Candidates may be nominated by the managing bodies of national or local community associations. Citizens may also nominate themselves.

Community associations may nominate only one candidate per electoral district. The decision to nominate candidates to a maslikhat is passed by the majority vote of all members of a local community association or its managing body. The candidate does not necessarily have to be a member of the community association. In addition, citizen assemblies with at least fifty eligible members residing within rural or urban communities have the right to nominate candidates to local self-governments.

Parties may also participate in the local decision making process. Maslikhat members are entitled to establish associations within the maslikhat, in the form of political factions (article 21 of the Law on Local Public Administration). These groups must number at least five maslikhat members and be registered at the maslikhat session. The organization of their activities and various powers are determined by maslikhat regulations.

In recent years, public hearings have been used to facilitate citizen involvement in the decision making process. In May 1999, Pavlodar oblast held the first public hearing of a local budget in Kazakhstan,² enabling its citizens to comment on changes to be made to the draft budget awaiting passage by the akimat and maslikhat. The cities of Atyrau and Uralsk hold public hearings to discuss changes to tariffs for communal services.³ The methodology behind such hearings has been introduced by USAID/ICMA, who are currently implementing a four-year project on the Development of Local Governments in Kazakhstan, launched in 1998.

Article 13 of the Law on Local Public Administration currently determines that standing commissions may organize public hearings to discuss key issues of public importance within the commission's jurisdiction, either at their own initiative or by decision of the maslikhat. These hearings may take the form of commission meetings which have been expanded to include maslikhat members, representatives of executive bodies, local self-governments, organizations, mass media and inhabitants. The procedures for public hearings at commission meetings is determined by maslikhat regulations.

According to current legislation, there are no obstacles to the establishment of voluntary associations. Nonetheless, no local government associations have yet been registered in Kazakhstan. A Coordination Council⁴ of secretaries from oblast, Almaty and Astana maslikhats has been established and took part in the discussion and amendment of the draft Law on Public Administration. However, this council has not been registered. An Association of Civil Servants is in the process of being established.

According to the Law on Local Public Administration, “local self-governed communities can found local community associations according to established procedures in order to coordinate their activities and more actively participate in regional policy. However, these associations do not possess the powers of local self-government bodies.”

Some oblast centers have condominium associations that protect the rights and interests of inhabitants and ensure that the housing stock is properly maintained. One such organization in Ust-Kamenogorsk began a project on “Determining the Institutional Status of and Local Taxation Policy towards Condominium Associations” with the financial support of the Soros Foundation. They were able to organize a broad discussion of existing problems involving condominium association heads, inhabitants, representatives of public administration and agencies which deliver communal services. It is planned to create an efficient model of condominium associations within the system of local self-government.

Because Kazakhstan is home to representatives of over one hundred nationalities, the Assembly of Nationalities in Kazakhstan and its regional offices were established to deal with multi-national issues. Some forty cultural centers (Russian, German, Ukrainian, Polish, Tatar, Azeri and others) exist throughout the country.

There are roughly 1,400 non-governmental organizations (NGOs) in Kazakhstan. Some are large, active organizations, especially in the field of ecology, due to the scale of ecological problems facing Kazakhstan. However, it cannot be said that NGOs have any significant impact on local decision making or that akims cooperate with them closely. It is possible that their importance will increase with the development of public hearings.

3.2 Methods of Appointing or Electing Akims

Amendments entered in the Constitution in 1998 stipulate that akims in oblasts, Almaty and Astana are appointed by the president upon nomination by the prime minister, and may be dismissed by the president. Their mandate terminates when a new president takes office, although they continue to perform their duties until new akims are appointed. Akims of other administrative-territorial units are either appointed or elected according to procedures determined by the president. The constitutional amendments thus introduced the legal basis for elected akims for the first time. This option is not yet widely in use; to date, only Shamalghan rural district, the home district of the current president, has elected an akim.

Until recently, all akims of lower-level governments have been appointed by superior akims: the akims of Almaty and Astana cities appointed akims in their city districts; oblast akims appointed akims in raions and cities of oblast subordination; and raion akims appointed akims to villages and towns.

Table 8.1
Status of Akims in Villages, Towns and Cities

Akim of village or town	****
Akim of city of raion subordination	****
Akim of city of oblast subordination	****
Akim of city, capital city or city of central subordination	****
Akim heading the corresponding mashlikat	—

* elected by the mashlikat

** elected by the mashlikat upon proposal of the state administration

*** elected by inhabitants

**** appointed by the head of the state or heads of superior administrations

***** simultaneously acts as mashlikat chairman

The Law on Local Public Administration passed in January 2001 reflects the constitutional provisions and procedures to appoint akims in oblasts, Almaty and Astana remain unchanged. Similarly, as set forth in the constitutional amendments, lower-level akims are appointed or elected according to procedures determined by the president. So once again, the law referred to an opportunity to elect heads of executive bodies. Exactly how this opportunity should be realized—through direct elections of akims by the inhabitants of the respective administrative-territorial units, indirect elections by mashlikhats or appointment by mashlikhats—will probably be specified soon.

3.3 Relationships between Elected and Appointed Local Government Bodies

The Constitution stipulates the mechanisms governing interactions and interdependence between the akim and mashlikhat. For instance, article 87, item 5 establishes that the mashlikhat “has the right to pass a vote of no confidence in the akim by a majority of two-thirds of all members and to request his or her dismissal from office from the president or superior akim.” The vote of no confidence may be passed after the mashlikhat twice fails to approve the akim’s reports on the implementation of plans, the local budget or economic and social development programs for the territory.

Article 88 of the Constitution determines that draft mashlikhat decisions on the reduction of local budget revenues or increase of local budget expenditures can be submitted for review only with a positive resolution by the akim.

According to the Law on Public Administration, oblast-level akimats develop regional social and economic development programs and oblast budgets and report on their implementation. The akimat submits these documents for approval by the mashlikhat, along with the structure of the local

administration. The maslikhat exercises control over the implementation of plans, economic and social development programs and local budgets. Maslikhat members are entitled to present inquiries or appeals on issues within its competence to local executive bodies or organizations located on its territory. They may request to hear reports from local executive officials or representatives of organizations located on its territory on issues within its competence. They may also participate in akimat sessions. The akimat and officials of organizations or territorial offices of central state administration financed from the local budget are obliged to provide the required information to standing maslikhat commissions within their competence and according to established procedures.

The akimat staff is approved at oblast level maslikhat sessions. Maslikhats review reports from heads of executive bodies and may submit requests to law enforcement bodies in order to call government officials or organizations to account for their failure to implement maslikhat decisions.

The akimat develops programs to support employment and reduce poverty, submits them to the maslikhat for approval and subsequently oversees their implementation. The akimat also establishes a list of staff for consultative and deliberative bodies responsible for intersectoral issues and presents it to the maslikhat for approval.

Oblast-level akimats are accountable to their corresponding maslikhat for performance of their functions, according to article 27, item 3 of the Law on Local Public Administration. Akimats of raions and cities of oblast subordination are likewise accountable to the raion or city maslikhat (article 31, item 3).

3.4 Internal Structure of Local Government Decision Making

The maslikhat makes decisions within its competence (article 7 of the Law on Local Public Administration). Draft maslikhat resolutions on the reduction of local budget revenues or increase of local budget expenditures can be submitted for review only by positive resolution of the akim. Maslikhat decisions on the rights, freedoms and duties of citizens shall be officially published according to legally established procedures and are binding in the respective territory. Maslikhat decisions that are of intersectoral importance, obligatory for all inhabitants or related to the rights, freedoms and duties of citizens are subject to registration with territorial offices of the Ministry of Justice, according to legally established procedures.

Although there is no vertical hierarchy for maslikhats, decisions of superior maslikhats are strictly compulsory for lower ones. Maslikhat decisions that contradict the Kazakh Constitution or legislation can be revoked by court or by the maslikhat itself.

The akimat issues resolutions signed by the akim, who is empowered to make regulatory or legal decisions and issue instructions on administrative, operational and individual issues. Acts of akimats and akims within their competence are mandatory throughout the local territory (article 37 of the

Law on Local Public Administration), although they can be suspended by the public prosecutor. Any acts concerning the rights, freedoms and duties of citizens are subject to official publication in newspapers and other periodicals as determined by the maslikhat or akim, unless they contain state secrets or other legally protected confidential information

Akimat or akim acts that are of intersectoral importance, obligatory for all inhabitants or related to the rights, freedoms and duties of citizens are subject to registration with territorial offices of the Ministry of Justice, according to legally established procedures. The effect of akimat or akim resolutions may be cancelled or suspended in full or in part by the president, the government of Kazakhstan, court decision, a superior akimat or akim or the akimat and akim themselves.

Regulatory legal acts of local representative and executive bodies take effect upon being signed by authorized persons.

At the recent workshop of secretaries of oblast, Almaty and Astana maslikhats, the Minister of Justice stated that, "The quality of the locally adopted regulations leaves much to be desired. Fifteen to twenty percent of raion-level decisions are not registered. Every third or fourth act is returned without registration and one can only guess how many illegally passed decisions are effective in our republic. All losses caused by illegal decisions have to be covered by the state budget after being cancelled by the court."⁵

3.5 System of Elections

The system of elections is governed by the Constitutional Law on Elections. According to this law, elections of the president, members of the Majilis and maslikhats are based on general, equal and direct vote by secret ballot. Senators are elected through indirect vote by secret ballot, by a group of electors which includes members of all relevant maslikhats.

The Majilis consists of seventy-seven members, sixty-seven of whom are elected in one-mandate electoral districts, established according to administrative-territorial divisions with approximately equal populations. The remaining ten members are elected nationwide based on party lists, according to a system of proportional representation.

For the first time, political parties were involved in the most recent national elections, which were held on 10 October 1999 and 24 October 1999. Out of seventy-seven members elected to the Majilis,⁶ forty-three were nominated by political parties, eight by trade unions and public associations and twenty-six were self-declared. Pro-government parties—the *Otan*, Civil and Agrarian parties—received eighty percent of Parliament seats.

Maslikhat elections are held only in one-mandate districts and do not involve party lists. In addition, electoral legislation specifies elections for local self-governments, should they be established. Candidates for local self-governments should be capable citizens of at least eighteen years of age, and may be

nominated by rural or urban citizen assemblies or by the candidates themselves. Candidates are considered to have won the election if they obtain a relative majority of votes. However, these norms are not in use due to the absence of any self-government institutions per se.

Members of Central Electoral Commission (CEC) are elected or dismissed from office by the Majilis upon nomination by the president. The CEC establishes and administers oblast electoral commissions based on proposals of oblast-level akims. Lower territorial electoral commissions are formed by the decision of superior territorial electoral commissions on the proposal of the respective akim.

Public associations have the right to nominate maslikhat candidates. Alternatively, candidates may nominate themselves by submitting an application to the corresponding electoral commission. No other pledge or collection of signatures is required to support self-nomination. Candidates for maslikhats may be released from their employment, military service or military training. They cannot be fired, transferred to other positions without their consent, sent on business trips or sent to military camp.

Individuals called to account for corruption-related violations in the preceding year may not register as candidates. Nor may individuals who have outstanding convictions or who have received official reprimands from the courts for deliberate violations in the preceding year.

Maslikhat elections are financed from the national budget. Elections may not be financed by international organizations, international public associations, foreign legal entities or individuals without Kazakh citizenship. All direct or indirect participation of these parties in funding elections is prohibited, as are voluntary contributions from state bodies and organizations, charity funds, religious associations or any legal entities with foreign investment in their authorized capital stock.

Akims determine electoral precincts in order to hold elections and calculate votes in coordination with the district electoral commissions. These precincts are created with consideration of the following conditions:

- No constituency should have more than three thousand voters;
- The boundaries of administrative-territorial units should be observed;
- Boundaries of electoral districts should not overlap boundaries of electoral precincts.

Authorized representatives of each candidate may be present at each electoral precinct, as well as one representative each from mass media organizations, public associations, foreign states and international organizations.

Members of electoral commissions or representatives of public associations may appeal violations of electoral legislation or other issues related to the elections. These appeals are submitted to the courts or to the public prosecutor's office, which must review them within five days. Appeals received five days prior to the elections, up to the day of elections itself, must be reviewed immediately. Should a candidate or political party violate legal requirements, they receive a warning. If these violations continue, the electoral commission strikes the registration of the candidate or party list.

In general, the electoral system in Kazakhstan is not entirely democratic. Authorities have the opportunity to “correct” election results through using government-controlled media, manipulating public opinion in rural areas, placing obstacles in the path of “undesirable” candidates and providing advantages to preferred ones. Several experts were surveyed after they had assessed the results of the most recent elections. Sixty-five percent responded that the numerous violations during the elections were primarily preconditioned by the desire of local authorities to hinder opposition candidates; 62.5 percent attributed them to the authorities’ habit of regulating all public processes according to their will; 32.5 percent ascribed them to flaws in current electoral legislation; and 32.5 percent credited the low level of democracy in Kazakh society.⁷

The last elections confirmed a pattern first observed in Kazakhstan during the referenda of 1995. One expert observed that “Almaty appears to be the most critically disposed, while it is the most socially safe region; on the contrary, the poorest regions unconditionally support the authorities. Obviously, this difference is explained by a higher degree of community control over the elections.”⁸

4. Functional Structure of Local Government

The organizational structure of public administration is detailed above in figure 8.2.

4.1 Local Maslikhats

4.1.1 *Maslikhat Functions*

The major functions of local councils are specified in the Constitution and further detailed in the Law on Local Public Administration. Maslikhat responsibilities include the following:

- to approve plans, local economic and social development programs and local budgets, including cost estimates for the maintenance of districts within cities of central subordination, towns, villages and rural counties;
- to approve programs for environmental protection and management of natural resources; to approve expenditures on environmental protection and rehabilitation and solve other issues on environmental protection according to legislation;
- to approve the management structure of the administrative-territorial unit, upon submission by the akim;
- to solve issues of local administrative-territorial organization within its competence and determine the boundaries of local community organizations;
- to coordinate the staff of a respective akimat upon proposal by the akim;
- to discuss reports from heads of executive bodies or request law enforcement bodies to call officials of state agencies or organizations to account for their failure to fulfill maslikhat decisions;

- to exercise their powers according to the legislation of Kazakhstan to ensure the rights and legal interests of the citizens;
- to approve regulations and courses of disciplinary action for their violation, in accordance with the Administrative Violations Code of Kazakhstan;
- to control the implementation of plans, local economic and social development programs and the local budget;
- to establish standing commissions and other bodies and review their reports; to solve other issues related to the organization of maslikhat activities;
- to approve programs to support employment and reduce poverty;
- to approve the staff of consultative and deliberative akimat bodies on intersectoral issues, upon nomination by the akim;
- to regulate land relationships in accordance with the land legislation of Kazakhstan;
- to facilitate observance of the Constitution, national legislation, presidential and government decrees and legal acts of central and local governments.

Maslikhats have the right to pass compulsory regulations, the violation of which is subject to administrative action. The new Administrative Code adopted on 30 January 2001 lists the following such regulations: rules of maintenance and protection for newly planted trees (article 300); veterinary legislation (article 310); rules for keeping cats and dogs (article 311); municipal improvement in cities and settlements and the destruction of city infrastructure objects (article 387); violation of an emergency regime (article 362); and actions that provoke violation of the public order under emergency conditions (article 362).

Maslikhats of oblasts, cities of republican subordination and the capital city may propose to amend the urban planning scheme in oblasts; draft the urban plan of the oblast capital, city of republican subordination or capital city; and endorse plans submitted by their subordinate administrations for urban planning of cities and raions within their particular territorial competence.

Raion maslikhats approve the urban plans for the cities, towns and auls located on the territory of the respective raion.

Maslikhats of oblasts, cities of republican subordination and the capital city have the right to decide on local borrowing, upon proposal by the akimat and in accordance with the legislation.

4.1.2 Structure of Maslikhat Activities

The maslikhat exercises its authorities in maslikhat sessions, convened at least four times a year, through its standing commissions and other bodies and through its session chairman, members and secretary.

The maslikhat elects and dismisses the session chairman and secretary and reviews their reports; establishes standing commissions and other bodies; elects and dismisses commission chairmen and

reviews their reports; determines expenditures to maintain its activities; approves the acts of the audit commission; approves the structure of the maslikhat office; and determines expenditures on maintenance, material and technical supplies in accordance with the legally established staff and funding limits.

The chairman of the electoral commission opens the first session of the maslikhat and acts as chair until the election of the maslikhat session chairman. Decisions are made by majority vote. Sessions are typically open, although the decision to hold a closed session may be proposed by the chairman or a third of the members present and approved by the vote of a majority of the members present. Session chairmen may invite heads of local executive bodies, managers or officials of local organizations to the maslikhat session to provide information on issues within maslikhat competence. Attendance is obligatory in these cases.

The maslikhat creates no more than seven standing commissions for the duration of its mandate and determines their staff. The session chairmen and members of standing commissions are elected by the maslikhat from among its members. These commissions are accountable to the maslikhat and should report on their activities at least once per annum.

Standing commissions may draw up conclusions on issues within their competence and submit them to the maslikhat session for review. They may present reports related to their specific duties at maslikhat sessions and, within their competence, propose that the maslikhat hear reports from the heads of local executive bodies.

The audit commission plays an important role in the organization of maslikhat activities. This commission is elected in order to control implementation of the local budget and may include individuals outside the maslikhat. On the basis of audit results, the audit commission drafts a certificate and provides it to the maslikhat and akimat for their information.

The maslikhat and secretary are entitled to set up interim commissions to prepare issues within maslikhat competence for review at maslikhat sessions. The composition of these commissions, their tasks, term of office and rights are determined by the maslikhat upon their establishment. Interim commissions make resolutions within their competence. Participation in the work of interim commission is unpaid.

Chairmen of maslikhat sessions are elected by the maslikhat from its members by open vote at a preceding session and exercise their duties freely. In case of his or her absence, these functions are performed by the maslikhat secretary. Maslikhat members may not be elected session chairman more than twice per calendar year.

The maslikhat secretary plays a key role, overseeing daily maslikhat operations. The secretary occupies a full-time position. He or she is elected by the maslikhat from among its members for the duration of its term of office and may also be dismissed by the maslikhat session. The secretary prepares issues to be discussed at the maslikhat sessions and makes any other necessary arrangements; supports

members in the performance of their duties; provides them with all necessary information; and handles issues concerning the release of members from their regular jobs in order to allow them to participate in the maslikhat sessions, standing commissions and other bodies. The secretary controls the review of member inquiries and appeals, supervises the operations of the maslikhat office and appoints and dismisses its staff. The secretary regularly provides the maslikhat with information on appeals from voters and measures taken in response; organizes cooperation between the maslikhat and local self-governments; coordinates activities of the standing commissions and other member groups; and represents the maslikhat in its relations with state bodies, organizations, local self-governments and public associations. The secretary issues instructions within his competence, ensures that maslikhat resolutions are published and determines measures to control their implementation.

The maslikhat secretary cannot be a member of any standing commissions. In the absence of the secretary, the chairman of maslikhat sessions may temporarily assign his or her powers to the chairman of one of the standing commissions.

A small office may be established to support maslikhat functions. Its structure and staff depend on the level, nature and volume of its duties. According to article 25 of the Law on Local Public Administration, the maslikhat office provides organizational, legal, material, technical and other support to the maslikhat and its bodies and otherwise assists its members in the performance of their duties. The maslikhat office is a governmental body funded through the local budget. The minimum number of public servants in the office is three; the maximum is determined according to the size of the maslikhat by a ratio of one official to seven maslikhat members.

Civil servants in maslikhats perform their duties in accordance with the Law on Civil Service and retain their positions after the term of maslikhat expires or is terminated prematurely.

4.2 Local Administration

4.2.1 Local Administration at the Oblast Level

Oblast-level akimats, including akimats of cities of central subordination, form part of the uniform system of state administration. The akimat is created and headed by the akim and consists of deputies, the chief of staff and heads of local budgetary institutions. Akims themselves are appointed by the president upon nomination by the prime minister. They represent the interests of their oblast or city in interactions with government agencies, organizations and citizens. They coordinate activities of lower-level akimats and akims and cooperate with the local self-governments through lower-level akims. The akim appoints and dismisses the following officials:

- deputy akims, in coordination with the authorized superior government bodies. The maximum number of deputies is determined by the government of Kazakhstan;
- the chief of the akim's office and the heads of its structural divisions;

- heads of executive bodies financed from the oblast-level budget, excluding military positions, positions in uniformed services or other special ranks. The heads of divisions of interior services funded from the local budgets are appointed and dismissed in accordance with Kazakh legislation.

Akims are empowered to license business activities in cases specified by legislation and according to legally established procedures. Akims also organize measures to ensure compliance with legislation on universal military service, civil defense, mobilization preparations and mobilization itself. Akims take part in signing contracts for the privatization, lease or sale of enterprises, deposits and other state-owned assets and exercise control over their implementation, together with the authorized state agency.

In oblast-level governments, as well as raions or cities of oblast subordination, the office of the akim provides information, analytical, organizational, legal, material and technical support. The office of the akim is a state institution funded through the local budget and is established, dissolved or reorganized by the akim. If the akim should be dismissed from office, Kazakh legislation regulates the employment of the civil servants within the akim's office as well as terms for appointing a new akim.

Territorial agencies of the central state administration are structural divisions which perform central administration functions within the administrative-territorial unit. Heads of territorial agencies funded from the national budget are appointed directly by the head of the central agency, without coordination with the akim. This measure is intended to increase the responsibility of central government members for regional staff policy.

The akim establishes, dissolves and reorganizes executive bodies funded through local budgets and determines the scope and organization of their activities.

An approximate list of the divisions, directorates and departments in oblasts, Almaty and Astana has been drafted and approved by the national government. Based on this list, akims develop corresponding administration structures. Figure 8A.1 in annex 8.2 provides an example of an oblast administration structure submitted by the akim to the maslikhat for approval.⁹

Oblast executive bodies include the office of the akim, the archives and the departments of public administration, health care, land use, industry, trade and business development, local economy, transport and communications, local property, culture, medical services, education, agriculture, social protection, labor, tourism and sports, finance, economy, interior affairs and the administrative department of the akim.

Territorial divisions of central administration include the department of the Committee for National Security; committees on state property and privatization, on the regulation of natural monopolies and the protection of competition, on land resource management and on taxes; and the departments of migration and demography, customs, protection of environmental resources, information and public relations, treasury, tax police, forestry, justice, environmental protection, emergencies, statistics and agriculture.

In accordance with legislation, the akim may decide whether to pursue disciplinary action for administrative violations by heads of local budgetary institutions or lower-level akims. Penalties may also be imposed on employees of the interior services funded from local budgets in accordance with the legislation.

The oblast level is responsible to the president and government of Kazakhstan for issues within his competence and within the jurisdiction of the oblast-level akimat. Akims may delegate some of their authorities to lower-level akims.

4.2.2 Local Administration at the Raion Level

Raion-level akims, including akims in cities of oblast subordination, head the raion or city akimat, which they constitute from deputy akims, the head of the raion akim's office and heads of local executive bodies. Akimat members may also include heads of territorial divisions of oblast-funded bodies in coordination with the heads of their superior institutions. Heads of territorial agencies of the central administration may also participate in akimat activities and possess a deliberative vote. Raion-level akimats are accountable to their corresponding maslikhat for performance of their functions.

Raion-level akimats are also accountable to the president, government and oblast akim for exercise of the powers conferred on them upon their appointment as well as other responsibilities derived from their subordinated territories. The structure of a raion-level administration should be approved by the oblast akim (figure 8A.2 provides a sample organizational chart of a raion akimat). Raion administration bodies may include the office of the raion akim; a department of the interior, a department of education and directorates for communal economy, agriculture, social policy, finance and economy. Akims in raions or cities of raion subordination develop their administrative structures and submit them for the approval to raion maslikhats.

4.2.3 Local Administration at the Sub-raion Level

The following levels of government—city districts in cities of central subordination, cities of raion subordination, towns, villages and rural counties—do not possess akimats. Instead, the akims of these territorial units are responsible for reviewing the appeals, applications and complaints of local inhabitants; for undertaking measures to protect the rights and freedoms of local citizens; and for ensuring the collection of taxes and other obligatory fees. In addition, akims estimate overhead costs for their offices, including expenditures for maintaining the administrative-territorial unit, and submit these cost estimates for approval to their corresponding maslikhat.

The akim ensures compliance with the Constitution and laws of Kazakhstan by citizens and legal entities; regulates land relationships within his or her competence; organizes construction and repair of housing stock; oversees the operation and maintenance of roads; supports the establishment of peasants' farms and the development of entrepreneurial activities; ensures compliance with legislation on universal military service and civil defense; organizes notary services; registers acts of civil status according to legally established procedures; arranges for the preservation of historical and cultural

heritage; submits proposals to superior bodies on assistance to socially vulnerable population groups; facilitates the development of local social infrastructure; organizes public transportation and regulates traffic; and cooperates with local self-government bodies.

These akims are accountable to superior akims and the maslikhats of raions, cities, cities of republican subordination and the capital city for issues within their competence. They are appointed or elected according to procedures determined by the president of Kazakhstan.

4.3 Local Administration in Cities with Special Status

In 1998, the Kazakh government passed the Law on the Status of the Capital City of Kazakhstan and the Law on the Special Status of Almaty City. These laws established the legal, organizational, political and economic basis for the functioning of the two cities and granted additional powers to their maslikhats and akimats.

Article 3 of the Law on the Status of Capital City outlines the powers of the Astana city akim and maslikhat. The law confers additional powers on the executive bodies which underscore the special legal status of the capital and its representative and executive bodies. These include the power to develop measures for ecological safety and control their implementation. In addition, the local administration is responsible for providing government bodies or diplomatic representative offices with land for their construction needs or with other locally owned buildings, structures or facilities in accordance with legally established procedures.

Until recently, a free economic zone (FEZ) was effective in Astana. The FEZ Administrative Council, headed by a chairman appointed and dismissed by the president, was responsible for administrative issues throughout the territory of the FEZ. However, throughout the lifetime of the FEZ, there were no council chairmen that could function alongside the akims. FEZ were created within city or raion boundaries. The Astana city akim was also chairman of the FEZ Administrative Council, and the Administrative Council itself was a special executive body within the administrative-territorial unit, appointed and dismissed by the president, with very little relevance to the local or oblast akims. Its specific responsibilities included registering economic objects within its territory, opening representative offices outside FEZ territory, forming and allocating FEZ financial funds, attracting domestic and foreign investment and regulating relationships between economic entities. All decisions of the Administrative Council made within its competence were binding for legal and physical entities located in FEZ territory.

The Astana city maslikhat approves the city budget, budget execution reports and social and economic development programs, taking into consideration the particular functions of the capital city as well as the structure of the city administration. These powers are essentially the same as the legally established powers for other maslikhats of this level. Local property forms the economic basis for the implementation of capital city functions.

The Almaty city maslikhat determines fines and procedures for administrative violations committed on the territory of Almaty. In addition, the maslikhat establishes fees and regulations for the use of Almaty city symbols by legal and physical entities in their brand names and trademarks, approves the register of historical and cultural monuments of local importance in coordination with the state organization on the protection of historical and cultural heritage; and approves regulation of the migration process within its territory.

The Almaty city akimat approves the list of local property not assigned to communal legal entities; owns, uses and disposes of the state share of economic entities registered in Almaty, excluding legal entities determined by the government; privatizes local property according to legally established procedures; issues licenses to public catering enterprises, casinos, bookmakers, fuel stations, tourist agencies, local lotteries and organizations that provide disinfecting services. The Almaty city akimat also licenses medical practices, veterinary activities, motor transportation for passengers or cargo and activities which attract a foreign labor force or export the local labor force. In addition, the akimat authorizes institutions of secondary and specialized education to issue diplomas for certain professions in accordance with government established procedures. The above list of functions contains a great number of central government responsibilities that have been delegated to the Almaty city akimat.

4.4 Control, Audit and Supervision of Local Governments

The president exercises presidential control directly or through his administration and appoints akims in oblasts, Almaty and Astana upon nomination by the prime minister. The president has more compelling authority over akims than does the government, as confirmed by his constitutional right to dismiss akims at his discretion (article 87, item 4 of the Constitution).

Logically, akims should be accountable to the government, as the local executive branch is a component in the uniform system of executive power. However, akims are also required to report to the president and fulfill presidential orders. This creates a situation in which dual subordination replaces a clear hierarchy and responsibility to the president prevails.

Even though the president is empowered to exercise control over akims, he has neither the resources nor the time to supervise all akim activities and may not dismiss them without due grounds. State inspectors are assigned to oblasts but are not able to control the performance of all akims in oblasts and rural areas as well. This creates a situation in which akims may avoid responsibility to either president or government. Akims should report to the government, which in turn should report to the president.

Kazakh legislation does not envisage any parliamentary control over local government activities. Upon the proposal of the attorney general, the Senate has the right to terminate the authority of a maslikhat before the expiration of its mandate. The central government controls compliance with legislation within its constitutional powers. The Ministry of Justice and its territorial offices register

local government acts. Central bodies perform sectoral control over subordinate divisions of local executive bodies. In accordance with the vertical hierarchy governing executive bodies, control is exercised from the top down.

Maslikhats are not bound by vertical subordination. Nevertheless, the administrative-territorial structure means that oblast maslikhats can implement their policy through city maslikhats as well as their own subordinate structures. Decisions of a superior maslikhat are binding for lower-level maslikhats, provided that they do not contradict legislation. However, the superior maslikhat may not interfere in the competence of the lower-level body. Even if the lower maslikhat adopts an illegal decision, it may only be cancelled through legally established court procedures, not by the superior maslikhat.

Maslikhat standing commissions do not possess any control functions. The law stipulates their right “to propose that the maslikhat hear reports from local executive bodies at the maslikhat session.” These hearings, however, do not encompass sanctions.

Maslikhats and akimats exercise general control on the local territory. Akims ensure implementation of national policy together with the interests and development needs of oblasts, cities and raions.

The constitutional model of local government in Kazakhstan dictates the preservation of centralized control over representative bodies by akims. Although administrative control is justified in itself, there should be specific forms and methods for its exercise. If the local executive body must simultaneously make decisions on local issues and organize their implementation as well as control the general situation within the territory, overall efficiency will suffer due to the absence of any division of labor.

The Office of the Public Prosecutor oversees the uniform application of laws, presidential decrees and other regulatory or legal acts. It may conduct inspections by request of the president or in response to appeals, complaints or other information about legal violations. Investigations may be initiated due to the direct disclosure of violations or by request of a superior public prosecutor. There is no rule mandating that a copy of all decisions must be sent to the public prosecutor’s office for control.

In order to fulfill its tasks, the Office of the Public Prosecutor undertakes measures to uncover and eliminate any violations of legislation and may appeal against legal acts contradictory to the Constitution or legislation.

It would be an exaggeration to say that local governments are controlled on a systematic basis; rather, control is often simultaneously performed by several institutions.

5. Public Service Provision

5.1 Distribution of Functions

Economic crises over the past five years have forced the scale of public services to decrease significantly. The current distribution of functions between the central and local governments is described in brief in table 8A.5 in annex 8.4 and presented in more detail below.

The Law on the Budget System distributes duties, programs and sub-programs between the national and local budgets, but does not specify the distribution of functions between oblast and raion budgets. Instead, the law outlines general approaches according to which responsibilities are divided between oblast, raion and cities of oblast subordination, taking into account specific local conditions. Since 1 January 1998, non-budgetary funds have been cancelled and their revenues included in the national budget. A social tax replaced the previous compulsory deductions from those funds. In September 1998, the Law on the Budget System was amended to itemize and distribute programs and sub-programs financed from the national and local budgets.

Local programs and sub-programs are financed from the local budgets. These tasks include:

1. Expenditures for the maintenance of local government bodies, whose tasks include
 - maintenance of public order and security;
 - education and health care;
 - social protection and the provision of legally established benefits to certain population groups;
 - housing and local economy, water supply and engineering infrastructure;
 - culture, tourism, sports, maintenance of the local media and leisure facilities;
 - agrarian reform, land reform, support for farmers and pest control;
 - the preservation of local ecology and the rational management of nature;
 - development of small and medium businesses;
 - support for other programs planned in the budget for the coming fiscal year, including loan service expenditures;
 - prevention of natural and technological accidents or emergencies;
 - support of employment;
 - construction, maintenance and repair of local roads;
2. Repayable loans from the local budget, generally through state-owned banks, to implement short-, medium- and long-term national and regional programs;
3. Redemption of local debt and payment of interest on loans.

The national budget finances national programs and sub-programs, which include:

1. National expenditures on the maintenance of national, international and representative bodies as well as other expenditure on general government services and funding of programs and sub-programs;

2. Repayable loans from the national budget, generally through state-owned banks, to implement short-, medium- and long-term national programs;
3. Redemption of state debt.

This distribution of expenditures and tasks corresponds to accepted practice in most countries and is based upon correct principles. The major challenge currently facing local governments is the ever-increasing gap between their expanding social and economic functions and the minimal financial opportunities available for their implementation.

Education

In the sphere of education, the distribution of functions between the center and regions has changed. The share of local governments in the total education budget rose from sixty-six percent in 1990, to seventy-five percent in 1995, to eighty-nine percent in 1999. The central government is responsible for higher education and specialized types of primary and secondary education, such as military schools, schools for gifted children and the continuing training of civil servants. Local governments are responsible for primary, secondary, vocational and specialized secondary education as well as the training of local government personnel. Local budgets allocate approximately eighty percent of their expenditures for this purpose. Kindergartens are primarily maintained at the expense of organizations and through fees paid by parents. Only a small number are supported by raion budgets.

Private kindergartens, schools and educational institutions have already appeared, as has the opportunity to take out loans for university education.

Administrative control over education has been completely transferred to local governments. They are empowered to solve financial issues, organize education and appoint school principals, who then select the rest of the staff. The Ministry of Education and Science authorizes the activities of universities and specialized secondary education institutions, exercises control over these institutions and retains the right to revoke their licenses.

Social Protection

The system of social insurance and its funding has also undergone changes in recent years. In 1998, the Pension Fund, the Social Insurance Fund and the Employment Fund were dissolved and their revenues consolidated in the state budget. Prior to 1997, a uniform pension system existed in Kazakhstan, but has since been reformed in favor of a "personalized pension system," in which individuals accumulate contributions throughout their working life. Currently, the government is responsible for pensions paid under the former system, for special state privileges to certain categories of people and for special state benefits to the veterans of World War II and victims of Chernobyl or Stalinist repression. Social assistance to the needy and unemployed was delegated to local governments and performed from local budgets. According to Government Resolution No. 1036 on the Approval of Temporary Rules of Targeted Social Assistance Provision (22 July 1999), oblast akims determine the amount of social assistance and distribute it in the form of benefits for families with children, for the birth of a child, for burials or for the unemployed. Households receive targeted social assistance if their average per

capita income falls below an established minimum. Government bodies in raions of oblast subordination are responsible for implementing budget programs as employment, unemployment benefits, child benefits and social assistance for burial.

Health Care

The Medical Insurance Fund was established in 1996 and subsequently dissolved and incorporated into the state budget. The government limits its participation to financing national public health programs, such as the centralized purchase of vaccines; preventing and responding to dangerous infections such as AIDS and tuberculosis; collecting the supply of blood; and sanitary and epidemiological monitoring. In addition, the national budget finances the maintenance of special hospitals and institutions of medical research.

Local budgets finance general and specialized local hospitals, TB clinics, diagnostic centers, hospitals and outpatient clinics for veterans of World War II. Local governments are also responsible for preventing and combating dangerous infections at the local level. Local governments should allocate as much funding as possible for primary health care in the rural areas.

State funding for health services is minimal, whether at the national or local level. Patients are expected to bring syringes, medicines and dressing materials to the hospitals themselves. Most services are provided by private medical institutions.

Culture, Sports and Leisure

The national budget funds the maintenance of national museums, theaters, historical and cultural monuments; the organization of cultural events for children at the national level; and the production of national films. Local governments provide subsidies to local organizations to organize cultural events and leisure activities; preserve local historical and cultural values; maintain local museums, zoos, stadiums and entertainment complexes; and organize local sporting events for children.

Economic Services

The government is responsible for improving water resource management, for investment in the water supply and sewerage infrastructure and for the use of inter-state water economic objects. Local governments operate, maintain and provide subsidies for this infrastructure.

Environment and Public Sanitation

From January 2001, local budgets will receive all payments and fines for environment pollution, whereas previously they had received up to fifty percent. These means are allocated for the solution of environmental protection issues at the local level.

The government is responsible for developing and implementing environmental protection programs on a national scale, rehabilitating the environment in areas of natural disaster, protecting natural objects of interregional importance and fulfilling the country's international obligations with respect to environmental protection.

Public sanitation and epidemiological stations are now included in the structure of city and raion governments and are funded from the respective local budgets. Local governments are responsible for the overall condition of cities and raions. In large cities, like Almaty and Astana, they may invest in infrastructure by constructing waste processing plants and similar actions. Condominium associations are responsible for waste collection and disposal as well as street cleaning. Associated costs are paid by inhabitants and private enterprises.

Urban Development

The central government creates programs to develop small cities and underdeveloped rural areas. Local governments formulate programs for regional development and plans for general local construction; erect local objects and social or cultural facilities; issue permits for building local networks or structures; and organize the construction of communication, transport and engineering infrastructure.

General Administration

Licenses are issued by the relevant ministries. Local governments issue licenses to businesses, regulate land relationships and issue permits for building local networks or structures.

City and raion executive bodies oversee the maintenance of public order and security. Various bodies of the department of the interior have been transferred to their authority and are now financed from city and raion budgets.

Local budgets fund protection against fires, which falls under the jurisdiction of city and raion governments. Local executive bodies manage the enlistment campaign for fire brigades, also financed from city and raion budgets.

Amendments to the Law on the Budget System in 1998 and 1999 specified issues of execution and control over the many programs divided between different levels of public administration and determined their sources of funding. As a result, local governments were vested with the responsibility for financing programs of direct local importance.

5.2 Trends in Public Service Provision

Traditional local administration functions include environmental protection, public sanitation, fire protection, maintenance of public order, local libraries, water supply and sewerage.

Some alternative forms of service delivery have appeared, such as external contractors, concessions and private companies. As mentioned above, educational services are offered by the private sector as well as by central and local governments. Many private schools, institutions and universities have emerged in recent years. In addition, private medical practices provide a broad range of health care services. The private sector is also involved in organizing cultural events, leisure and sports activities. In cities, private companies actively work with local government companies in the sphere of public

transportation. When tenders for public purchases are announced, private companies participate as well as state-owned companies.

Central and local governments are jointly responsible for social security, economic development, law enforcement and regional planning.

In recent years, many state companies or joint stock companies have been established by ministries, institutions and local executive bodies. These enterprises possess control, administrative and licensing functions and provide paid services that had previously been performed by the state. A recent inquiry at the Attorney General's Office found that over 1,700 such enterprises now exist in Kazakhstan.¹⁰ This form of service delivery is neither competitive nor funded from the budget; instead, these specially established enterprises have a guaranteed monopoly in licensing, certification, audit and other control functions. To reduce the potential for corruption, it is planned to remove state regulation over issues that can be solved on a competitive basis and instead allow the market to regulate these services.

6. Local Finance, Local Property

The current Law on the Budget System, adopted in 1999, regulates all financial relations in the process of forming budgets at different levels. According to article 3 of the law, national and local budgets are independent of one another and together comprise the consolidated national budget.

6.1 Local Budget Process

Article 18 of the Law on the Budget System establishes procedures for developing, discussing and approving local budgets. According to amendments made on 15 January 2001, oblast-level akims establish budget commissions and determine their tasks and working schedule in order to draft the local budget. Local executive bodies create a list of officials in charge of local budget programs in accordance with the local administration structure approved by the maslikhat.

Budget commissions at the oblast level review and draft proposals for coordination with the Ministry of Finance on the following indices:

- accounts receivable in the oblast-level budget;
- maximum permissible debt for the oblast-level administration by the end of fiscal year;
- expenditures for repayment of debt and debt servicing.

These budget commissions forecast basic indices for the local budget and submit them to the akim. These must consider the following parameters: indicative national plans for social and economic development, forecast indices from the Ministry of Finance, subventions from the national budget

to local budgets, budget deductions allocated to the national budget, regional development programs and the redistribution of revenues between oblast and raion or city budgets.

Local administrations of oblasts, Astana and Almaty then draft their local budgets, taking into account the proposals of the budget commission, and submit them to the Ministry of Finance by September 1. They must also inform raion and city akims of predicted raion and city budget revenues. Raion and city akims create their own budget commissions.

After the Law on the Annual Budget takes effect, oblast-level akims have two weeks to adjust their previously drafted budget forecasts and submit them to their corresponding maslikhats for review. According to the Law on the Budget System, local budgets are passed by maslikhat decision no later than two weeks after their submission.

The decision passed by the maslikhat must contain the following items: revenues, expenditures, crediting, the budget deficit and sources for its financing, norms for the distribution of revenues between the oblast and raion or city budgets, the size of the reserve fund, a list of local budget programs that are not subject to sequestration and other items. The budget itself is presented as an annex to the maslikhat decision, which is drafted in strict accordance with the budget structure established by the Law on the Budget System and uniform budget classifications. Expenditures and crediting of local budgets are approved at the program level.

The most recent changes to the Law on the Budget System, effective from January 2001, are intended to strengthen the role of maslikhats in the process of budget clarification. Previously, akims often made changes to the approved local budget, which were formally approved by maslikhats only after the fact. The revised law now states that “local executive bodies cannot finance additional budget programs envisaged in the process of local budget clarification until adoption of the relevant decision by the maslikhat” (article 18.1, item 3 on “Procedures to Clarify Local Budgets”).

The revenue base of local budgets is formed from the top down, and the decision making process follows a similar pattern. Local governments have little influence on budget revenues and expenditures, which are in fact determined by the Ministry of Finance. The ministry calculates control figures, based on which it establishes the amount of subventions and deductions for the regions. Local budgets are approved only after the approval of the national budget, when the amount of subventions and deductions is made known.

6.2 Revenues

According to the Law on Taxes and Other Obligatory Payments to the Budget, adopted in 1995, taxes are divided into national and local taxes. The law established the following five national taxes:

- income tax on legal and physical entities;
- VAT;

- excise taxes;
- fees for registering the issue of securities;
- special fees and taxes on the use of mineral resources.

In addition, the law established the following six local taxes:

- land tax;
- property tax on legal and physical entities;
- tax on means of transport;
- fees for registering physical entities engaged in entrepreneurial activity ;
- fees for engaging in certain types of business;
- fees from auction sales.

National taxes and fees were regulatory sources of the Kazakh national budget. The deducted amounts were entered in the revenues of national and local budgets according to procedures established by the Law on the Annual Budget. Local taxes and duties were fixed revenue sources for local budgets, while the distribution of taxes between budgets of different levels was reviewed annually.

This system was effective from 1995 to 1999. In 1999, this procedure was changed and the previous division of taxes into national and local taxes, stipulated by the Law on Taxes and Other Obligatory Payments to the Budget, was made invalid. As of 1 April 1999, the Law on the Budget System lists the allocation of taxes and duties to the central and local budgets, rather than the Law on the Annual Budget.

According to Article 11 of the Law on the Budget System, local budget revenues include the following:

1. Taxes, duties and other obligatory payments to the local budget:
 - fifty percent of income tax on legal entities, excluding income tax on legal entities registered as taxpayers in Astana city;
 - fifty percent of VAT on manufactured goods or services provided by entities registered as taxpayers in Astana city;
 - fifty percent of the excise tax on alcoholic beverages;
 - excise tax on gambling;
 - excise tax on retail sales of gasoline and diesel fuel;
 - personal income tax;
 - social tax;
 - property tax on legal and physical entities;
 - land tax;
 - tax on means of transportation;
 - allocations to local budgets from state budget revenues from inter-state contracts concluded by the government of Kazakhstan;
 - fee for the registration of physical entities engaged in entrepreneurial activity;
 - fee for the permit to engage in certain types of business;

- fee for the state registration of legal entities;
 - fees from auction sales;
 - fee for the right to sell goods in markets;
 - fee paid by legal or physical entities for using symbols of Almaty city in their brand names, signs or trademarks;
 - water fee;
 - fee for use of the forests.
2. Non-tax earnings:
- dividends from shares owned by the local government;
 - share in profits from local government owned companies;
 - earnings from state lotteries held by maslikhat decision;
 - interest on loans from the local budget;
 - proceeds from the sale of property owned by local budgetary institutions;
 - income from services provided by local budgetary institutions;
 - income from the lease of local property;
 - proceeds from public purchases organized by local budgetary institutions;
 - income from the lease of land;
 - fine for pollution;
 - fee for registering real estate rights and transactions;
 - state duty;
 - administrative fines and sanctions imposed by the local government;
3. Revenues from capital transactions:
- proceeds from the privatization of local property;
 - proceeds from the sale of land;
 - income from the sale of grain purchased for internal consumption;
 - transfers from higher budgets;
 - repayment of the principal on loans extended from the local budget.

The amendments of 1999 introduced a key change by establishing uniform norms for all oblasts that specified permanent revenues from regulated taxes, replacing the previous system of establishing individual norms for each regulated tax. This measure was intended to promote the predictability of local budget revenues. However, its effect was to increase the inequality in tax collections among oblasts, due to their varying tax potential. For instance, the average share of taxes in local budget revenues nationwide was seventy-eight percent. However, taxes accounted for only forty-three percent of local budget revenues in South Kazakhstan oblast, in contrast to Atyrau oblast, where they accounted for ninety-eight percent of local budget revenues.

In 2000, the most important source for local budgets was the social tax, which comprised twenty-nine percent of local budget revenues, followed by the income tax on legal entities (twenty-two percent) and personal income tax (16.5 percent).

As shown in table 8.2, local budget revenues have risen since 1999. This increase is due to changes in the mechanisms of inter-budgetary regulation: as a result, most taxes were first entered in local budgets and only afterwards redistributed through subventions and deductions.

Table 8.2
Share of State Subventions in Local Budget Revenues, 1998–2000

	1998		1999		2000*	
	[KZT million]	[% of the State Budget]	[KZT million]	[% of the State Budget]	[KZT million]	[% of the State Budget]
Local budgets excluding state subsidies	111,288	29.2	185,588	46.5	271,734	45.4
Local budgets including state subsidies	151,624	39.8	217,575	54.6	313,648	52.4
State budget subsidies to local budgets	40,336	10.6	31,987	8.1	41,914	7.0

* not taking the calculating period into account

6.3 Local Taxes and Fees

Taxes that were previously termed local taxes in the Law on Taxes and Other Obligatory Payments to the Budget—property tax on legal and physical entities, land tax and transport tax—are no longer called local taxes, even though they are entered in local budgets as before. Their share in local budget revenues is around fourteen percent. Local fees are insignificant, accounting for some 1.5 percent of local budget revenues.

Local budgets in Kazakhstan may not independently establish tax rates or determine the tax base, with the exception of the land tax. Depending on the location, water supply and production conditions of a given plot of land, local representative bodies can establish tax rates within a range of twenty percent (article 109 of the Law on Taxes and Other Payments to the Budget). Also, as mentioned above, the Almaty city maslikhat has the special right to establish procedures and fees for the use of Almaty symbols by legal and physical entities in their company names, service signs and trademarks. Otherwise, local governments possess almost no control over taxation on their territories.

6.4 Expenditures

Social expenditures dominate the structure of local budget expenditures, but oblasts have varying capabilities in this regard.

In 1997 and 1998, most oblasts allocated roughly eighty percent of all expenditures to education, health care, social security and culture. Education consumed approximately forty percent of all local budget expenditures. In 1997, the average local budget expenditures on health care amounted to 20.1 percent, falling to 11.8 percent in 1998. Expenditures varied greatly among oblasts. In 1998, average social security expenditures in the country rose by 15.8 percent compared to 1997. Culture and art received the least funding, only slightly exceeding three percent.

With the introduction of modified inter-budgetary regulations in 1999, the structure of local budget expenditures was altered. This primarily affected those oblasts which contributed most to the national budget. The new system of tax distribution increased their revenues, but their entire budget surplus was withdrawn to support more vulnerable oblasts. This led to the decrease of expenditures on social needs, although absolute figures did not change significantly.

On average, local budgets spent almost seventy percent of total expenditures on social needs in 1999 and almost sixty percent in 2000. In the same period, they allocated approximately thirty percent to education, eighteen percent to health care, nine percent to social security and insurance and four percent to culture. The small increase of spending on culture is a special case, since 2000 was officially declared the year to support culture.

In 1997, the share of local budget expenditures in the state budget structure was almost thirty percent of total expenditures. Due to the new mechanisms of inter-budgetary regulation, local budget expenditures grew to 34.4 percent of state expenditures in 1998, 45.9 percent in 1999 and 50.8 percent in 2000 (see table 8.5).

This is due to the replenishment of the state budget, which allowed them to repay previously accumulated debts, primarily for social payments. By 1 July 1999, local budget debt amounted to 33.7 billion KZT. This was partially reduced by the end of 1999, a trend more regularly continued in 2000.

According to a government established schedule to liquidate budget accounts payable for 2000 to 2003, the national debt was reduced by 7.5 billion KZT in 2000. Local budget debts were reduced even more significantly, to 2.4 billion KZT. The remaining debt is due to be repaid in the coming three years. These payments are planned in the 2001 budget and will be incorporated in the following annual budgets.

Table 8.3
Structure of Local Budget Expenditures by Region, 1997–1998 [percent]

Oblasts	Local Budget Expenditures				1997				1998			
	Local Budget Expenditures	Service Expenditures	Of which:			Local Budget Expenditures	Service Expenditures	Of which:				
			Educa-tion	Health Care	Social Security and In-surance			Culture and Art	Educa-tion	Health Care	Social Security and In-surance	Culture and Art
Akmola	100	53.2	24.7	16.6	8.8	3.1	100	86.3	37.4	15.4	29.2	4.3
Aktiubinsk	100	74.1	49.4	11.9	13.7	3.6	100	83.0	46.0	10.5	22.2	4.3
Almaty	100	87.1	48.6	22.6	13.1	2.8	100	88.8	37.7	18.6	30.2	2.3
Aryrau	100	70.6	44.0	13.3	9.6	3.7	100	81.3	40.2	9.0	28.2	3.9
East Kazakhstan	100	79.4	40.0	22.5	13.7	3.2	100	82.1	36.4	10.9	30.6	4.2
Zhambylskaya	100	84.3	49.6	19.9	12.0	2.8	100	88.3	35.4	13.6	37.4	1.9
West Kazakhstan	100	81.9	43.1	23.2	11.9	3.7	100	84.7	37.7	10.4	32.3	4.3
Karaganda	100	76.1	40.4	19.8	11.8	4.1	100	86.0	36.2	12.8	27.1	4.5
Kzylorda	100	83.5	31.9	22.0	26.9	2.7	100	77.0	26.1	8.2	40.0	2.7
Kustanay	100	75.0	44.6	20.6	7.0	2.8	100	75.8	39.7	10.5	21.9	3.7
Mangystau	100	88.0	44.4	21.7	10.6	4.1	100	84.3	40.1	13.9	26.3	4.0
Pavlodar	100	81.0	45.8	18.7	12.6	3.9	100	80.1	41.9	7.7	25.9	4.6
North Kazakhstan	100	82.0	43.5	21.7	14.3	2.5	100	85.1	40.3	14.0	28.3	2.5
South Kazakhstan	100	78.0	45.9	17.1	12.4	2.6	100	82.5	38.4	9.9	31.1	3.1
Almaty City	100	82.2	40.2	24.7	15.3	2.0	100	78.4	29.1	16.0	30.9	2.4
Astana City	0		0	0	0	0	100	27.2	7.9	3.9	11.8	3.6
Total	100	77.7	41.5	20.1	13.0	3.1	100	79.0	35.0	11.8	28.8	3.4

Table 8.4
Structure of Local Budget Expenditures by Region, 1999–2000 [percent]

Oblasts	Local Budget Expenditures	1999				Local Budget Expenditures	2000					
		Service Expenditures	Of which:				Service Expenditures	Of which:				
			Educa-tion	Health Care	Social Security and In-surance			Culture and Art	Educa-tion	Health Care	Social Security and In-surance	Culture and Art
Akmola	100	78.6	39.8	24.1	10.5	4.2	100	75.7	35.5	24.8	10.1	5.3
Aktiubinsk	100	70.5	40.5	14.9	11.7	3.4	100	66.3	32.0	14.0	15.4	4.9
Almaty	100	83.8	53.1	19.1	8.6	2.5	100	77.4	51.0	16.2	6.1	4.1
Atyrau	100	37.7	18.1	9.8	6.8	3.0	100	28.2	10.8	11.2	2.5	3.7
East Kazakhstan	100	62.0	29.8	19.4	9.7	3.1	100	48.4	22.6	15.9	6.6	3.3
Zhambylskaya	100	86.3	46.4	24.8	12.6	2.5	100	80.4	41.8	23.5	11.7	3.4
West Kazakhstan	100	86.2	43.8	26.0	12.1	4.3	100	77.1	38.8	21.4	11.8	5.1
Karaganda	100	62.9	31.3	18.0	10.0	3.6	100	53.2	23.8	16.4	8.5	4.5
Kyzylorda	100	84.3	36.3	27.8	16.7	4.1	100	69.5	28.3	26.8	9.6	4.8
Kustanay	100	77.8	41.3	23.1	9.2	4.2	100	65.3	31.8	20.5	7.8	5.2
Mangistau	100	44.2	20.7	13.5	7.9	2.1	100	38.9	16.7	12.9	5.0	4.3
Pavlodar	100	56.3	30.1	15.3	7.6	3.4	100	64.0	31.3	17.7	10.1	4.9
North Kazakhstan	100	80.4	40.6	25.9	11.0	2.9	100	74.4	39.1	23.0	8.7	3.6
South Kazakhstan	100	84.4	48.5	21.8	10.1	4.0	100	81.1	40.1	23.8	8.9	9.0
Almaty City	100	34.0	14.2	12.7	5.5	1.6	100	27.2	10.7	10.0	3.9	2.6
Astana City	100	42.0	18.0	5.5	3.1	15.4	100	20.6	7.4	6.6	2.8	3.8
Total	100	66.9	34.5	18.9	9.5	4.0	100	59.2	28.8	17.8	8.1	4.5

Table 8.5
Relative Size of Central and Local Expenditures

	1997		1998		1999		2000*	
	[KZT million]	[%]	[KZT million]	[%]	[KZT million]	[%]	[KZT million]	[%]
State budget expenditures	471,335	100	453,298	100	468,423	100	595,792	100
Local budget expenditures	143,178	30.4	156,150	34.4	214,974	45.9	302,421	50.8

* preliminary data

Table 8.6
Central and Local Budget Expenditures [percent]

	1994	1995	1996	1997	1998	1999	2000
Central government expenditures as a percentage of GDP	10.4	14.8	10.0	20.9*	19.5*	17.4	15.0
Central government expenditures as a percentage of the consolidated budget	56.0	56.6	60.8	74.2	74.5	70.1	65.5
Regional government expenditures as a percentage of the consolidated budget	44.0	43.4	39.2	30.4	34.4	45.9	50.8

* including extra-budgetary funds

Table 8.7
Financial Status of Local Governments [percent]

	1994	1999
Share of central government expenditures in GDP	10.4	17.4
Share of central government expenditures in the consolidated budget	56	70.1
Share of regional government expenditures in the consolidated budget	44	45.9
Share of raion governments in the consolidated budget*	n/a	n/a
Share of local government expenditures in the consolidated budget*	n/a	n/a

* It is not possible to present information in these rows since the Ministry of Finance provides data only for national and oblast budgets. Although oblast budgets distribute funds to raion budgets, this data is not provided. Towns and villages do not have own budgets, only cost estimates entered in raion budgets.

6.5 Mechanisms for Inter-budgetary Regulation

As noted above, 1999 introduced a change in the mechanisms for inter-governmental budget regulation. Budget surpluses are deducted from oblasts which perform well and allocated in the form of subventions to oblasts which cannot cover their needs through legally assigned revenues.

The methodology to determine the amount of budget deductions in 1999–2001 was approved by Resolution No. 529 of the government of Kazakhstan (4 May 1999). According to this resolution, the norm of expenditures, established through standard methodology for all oblasts, should be subtracted from estimated local income, giving the sum of the deduction. Unfortunately, since revenues tend to be overestimated and expenditures underestimated, the figure for deductions is often overstated.

Both donor and recipient oblasts have criticized the existing system of deductions from local budgets and subventions from the national budget. This methodology neither draws on economically sound norms nor stimulates efficient local spending. The sheer size of local transfers—over thirty percent of total revenues—curtails the incentive for local governments to enlarge budget revenues or increase collection of taxes or other payments. In fact, the size of subventions depends on the accrual of budget deductions. Budget deductions themselves are approved in absolute figures and are in practice strict directive plans.

Table 8.8 shows that donor and recipient oblasts are the same every year, with exception of East Kazakhstan and West Kazakhstan. Donor oblasts include the oblasts of Aktiubinsk, Atyrau, East Kazakhstan, Karaganda, Kustanay, Mangistau, Pavlodar, North Kazakhstan and the city of Almaty. Recipient oblasts include Akmola, Almaty, Zhambylskaya, West Kazakhstan, Kyzylorda, South Kazakhstan and the city of Astana (not listed in the table since the Free Economic Zone was in effect until 1 January 2001).

By year-end, many oblasts accumulate sizeable accounts payable on salaries, child benefits and local payments, due to overstated forecast revenues and understated expenditures.

Kazakhstan has no regional experience in using investment funds. The creation of FEZ in 1996 was one attempt to develop regions. Although four such zones successfully operated, they were later dissolved since FEZ tax privileges effectively equaled the usual subventions.

Local governments must try to implement their resolutions while lacking sufficient funds, since all financial and tax issues are decided by the central government.

Table 8.8
Subventions and Deductions by Region (deductions in parentheses)

Oblast	Local Budget Revenues in 1999	Subventions and Deductions in 1999	Subventions and Deductions in 2000	Subventions and Deductions in 2001
Akmola	3,380,900	3,266,134	3,129,123	2,992,112
Aktiubinsk	7,823,043	(1,645,768)	(1,244,872)	(843,975)
Almaty	6,827,196	6,047,347	6,774,942	7,502,537
Atyrau	11,915,498	(6,765,916)	(6,759,055)	(6,752,194)
East Kazakhstan	16,892,364	282,452	(511,135)	(1,304,723)
Zhambylskaya	5,375,442	2,346,787	3,007,704	3,668,620
West Kazakhstan	6,357,050	344,089	121,168	(101,752)
Karaganda	18,891,654	(4,384,315)	(4,424,305)	(4,464,294)
Kzylorda	5,320,323	3,252,699	2,374,553	1,496,408
Kustanay	10,682,341	(362,519)	(324,675)	(286,832)
Mangistau	8,655,787	(4,844,265)	(4,887,851)	(4,931,437)
Pavlodar	12,737,289	(3,740,322)	(4,049,525)	(4,931,437)
North Kazakhstan	6,900,300	3,815,267	3,729,353	3,643,439
South Kazakhstan	8,104,256	6,117,011	7,591,439	9,065,866
Almaty City	29,147,371	(16,161,844)	(16,960,027)	(17,758,211)
Total	159,010,814	(12,433,163)	(12,433,163)	(12,433,163)

6.6 Local Government Borrowing Practices

Local governments in Kazakhstan have the right to borrow. In order to reduce risk, legislation stipulates that borrowed funds may only be used to finance regional investment programs or the budget deficit. To borrow funds, local governments may issue state securities or conclude borrowing agreements. Quotas for annual local borrowing and total local debt are fixed by the Law on the Annual Budget. The Law on the Budget System and the Law on State and State-guaranteed Borrowing and Debt, adopted in 1999, determine the main regulations, accounting rules and limits governing local government borrowing. For instance, annual borrowing should not exceed ten percent, and total debt should not exceed twenty-five percent of local budget revenues in a given fiscal year. Debt-servicing costs for the local executive body should not exceed ten percent of annual local

budget revenues. The Ministry of Finance calculates the borrowing quota for local administrations and recommends a permissible amount of debt. According to the laws regulating the borrowing process, the state government does not back these loans or otherwise guarantee repayment of local government debts.

The market for municipal securities in Kazakhstan is a fledgling one. Beginning in 1999, Mangistau and Atyrau oblasts, Almaty and Astana cities issued bonds to implement several regional investment projects. Currently there is no legislative or regulatory base to govern the issue and circulation of municipal securities. Thus, the government adopted special resolutions on a case by case basis, such as the resolutions on Temporary Procedures for Issuing Bonds by the Local Executive Body of Almaty, Temporary Rules for Issuing, Placing, Circulating and Repaying Municipal Bonds of the Executive Body of Astana City and so forth. Local bonds are used as a tool to finance capital expenditures in the oblast budget. Transparency of the budget, its revenues and expenditures is a key precondition for attracting investment loans.

6.7 Local Budget Execution

Local executive bodies oversee budget implementation in their respective administrative-territorial units. They must submit an annual report on local budget execution to maslikhats no later than 1 July of the following year, together with an explanatory note and annexes. The annual report on local budget implementation should be submitted according to the approved local budget divisions. Territorial agencies of the Treasury Department perform servicing of local budgets.

Raion and city executive bodies submit monthly reports on budget execution to oblast executive bodies by the first of the month. Oblast-level administrations in turn submit monthly reports to the Ministry of Finance, following the same procedures. Local executive bodies also publish quarterly reports on local budget execution in the media. Neither budget assessment nor monitoring of local budget execution is performed.

Although maslikhat audit commissions exercise control over local budget execution, their members often lack the required skills to carry out high-quality control.

6.8 Local Property

The Government Resolution on State Property Restructuring (1996) created the legal basis for establishing local government property. In April 1999, the division of state property into national and local government property began. The government approved the list of state shares in companies of national or local government ownership. The national government retained state shares in national companies, large objects to be privatized and some other important objects for economic development. Social institutions such as schools and kindergartens were transferred to local ownership, as was all

infrastructure of regional importance, such as energy, gas and heat supply. As a result, over eighty percent of all state enterprises became local government property. Data on local enterprises transferred to local executive bodies has not been published in statistical reference books.

Local administrations in Almaty and Astana, oblasts, raions and cities of oblast subordination have established departments and directorates for management of local property. As representatives of the local administration, akims hold the state share in property and authorize departments as their representatives in owning, using and disposing of these assets. By order of the akim, these departments may transfer the state share in holdings into trust management for reasons of profit.

7. Relationship between the State Administration and Local Governments

Local executive bodies are an integral part of the uniform system of public administration in Kazakhstan. This system follows a strict vertical hierarchy in which lower akims are subordinate to the higher ones and oblast-level akims report directly to the president and the government.

The Constitution differentiates between the functions and powers of the central and local governments in general terms, while further legislation specifically delineates powers of the central government, central agencies and local executive bodies. Central executive bodies, such as ministries and state committees, are based on sectoral and functional principles; some of them have divisions within local administrations. The distribution of authorities between central and local governments is a rather tangled issue in Kazakhstan. Suffice it to say that the draft Law on Local Public Administration was under debate for six years, a period of time that saw three changes in government. When finally adopted, it outlined the legal differentiation between the central executive body, central government agencies and local executive bodies.

The law distinguishes between categories such as “executive body funded from the local budget,” bodies “authorized to perform certain functions of local public administration” and “territorial divisions of the central executive body.” The latter is the structural division of a central executive body, performs functions of the central executive body in the local territory and is funded from the national budget.

Oblast-level akims may call to account subordinate akims or heads of local budgetary institutions in accordance with the legislation. Courses of disciplinary action against employees of the bodies of the interior funded from the local budget are performed in accordance with the Law on the Bodies of the Interior.

Oblast-level akims are entitled to report to heads of central executive bodies on their territorial division’s compliance with legislation, acts of the president or central government and acts of the oblast akim

or akimat. If these defects are not corrected, then the akim may submit this information to the president and the government of Kazakhstan.

Raion-level akims may report to the oblast akim on the performance of territorial divisions of central executive bodies or local budgetary institutions with regard to their compliance with the Constitution, legislation and acts of the president or government of Kazakhstan.

Oblast-level akims may delegate some authorities to subordinate raion or city akims, who may in turn delegate authorities to lower-level akims. Current legislation specifies the relationships between the central and oblast governments in detail, but does not regulate the relationships between oblast and raion governments or clearly differentiate between their functions.

Local representative bodies are not incorporated in a vertical system of representative bodies linked to Parliament. Nor are maslikhats strongly linked to one another, although decisions of higher-level maslikhats are binding for lower-level ones.

8. Status of Civil Servants

The passage of the Law on Civil Service in January 2000 launched a new stage in civil service reform. By dividing civil servants into political and administrative employees, this law tackled a thorny problem in civil service, that is, the custom of replacing a staff of *apparatchiks* every time a new chief executive took office.

Political civil servants include ministers and their deputies at the central government level; akims and their deputies at the oblast level; and akims in cities, raions, villages and counties. The president determines grounds for dismissing political civil servants as well as the relevant procedures.

All other positions in the executive branch are considered administrative. These employees, who comprise ninety-six to ninety-seven percent of all civil servants, are now protected by law from unjustified dismissals resulting from a change in government. The law also guarantees employment to administrative civil servants if a government body is reorganized or liquidated. In addition, it provides a thorough explanation of grounds and procedures for disciplinary action, including the dismissal of administrative employees.

The current model of civil service divides government posts into categories in order to make the classifications conform to the acting governing structure. According to the list, administrative employees are grouped in the categories A, B, C, D, and E, where A represents the president's staff, B represents employees in Parliament, the judiciary branch, the prosecutor's office and the government, C represents the staff of ministries, departments and other governmental agencies, D represents the staff in local bodies of the judiciary branch, prosecutor's office and government and E represents the staff of local

executive bodies.¹¹ The registry of civil posts was introduced to unify and reduce the tiers of administration.

The president appoints heads of the central executive bodies and oblast-level akims and approves their deputies upon nomination by the prime minister. Higher-level akims appoint deputy akims at the oblast-level and akims in cities, raions and city districts in coordination with the president and prime minister or with their authorized representatives. Deputy akims of oblasts, akims of cities and raions may be dismissed only after coordination with the chief of staff of the president and the government. Administrative civil servants at the local level belong to categories D and E.

Table 8.9
Status of Civil Servants

Name of the Law on Civil or Municipal Service	Municipal Employees	Civil Servants
Law on Civil Service as of 1999	—	*

In order to enter and be promoted in administrative service, the prospective civil servant must go through a competitive process designed to allow citizens equal access to civil service. The Civil Service Agency or the government body requiring personnel announces an open or closed tender in the official national mass media in both Kazakh and Russian. All citizens of the country may participate in the open tender, but only administrative employees may participate in the closed tender.

The Civil Service Agency implements a uniform state policy on civil service. The agency develops and realizes state programs to increase efficiency, formulates and approves standard requirements for different categories of employees, monitors the status of state personnel and creates proposals to improve the system of remuneration. In addition, the agency coordinates the training and skill development of civil servants by various state bodies, controls their compliance with legislation on civil service, determines procedures for hiring personnel on a competitive basis and controls the hiring process. The agency reviews complaints from civil servants on the actions and decisions of state bodies or officials and may turn to court if the laws on civil service are violated.

The law establishes mechanisms to control the professional quality of government employees through assessments conducted every three years. The assessment commission pronounces the employee fit for service or recommends his or her dismissal. Either result is announced at all government bodies. The commission may also recommend further training to increase the employee's professional skills. The Methodological Recommendations of the Civil Service Agency stipulates that civil servants must increase their skills once every three years. The government concept for the training of civil servants, approved by government resolution on 13 November 2000, suggests that funds be allocated from the central and local budgets for this purpose.

Training of qualified specialists on public administration is performed by the Civil Service Academy, whose students make up the personnel reserve of the presidential administration and national government. This institution was established by presidential resolution in 1994 as the Higher National School of Public Administration for training top administrative officials.¹² Currently, there are ten regional institutions operating in oblast capitals to train and re-train mid-level government officials.

9. Legal Guarantees for Local Autonomy

Legislation on local state administration is based on the Constitution and consists of the Law on Local Public Administration and other legal acts (article 2 of the Law on Local Public Administration). Article 85 of the Constitution determines that local state administration is performed by local representative and executive bodies, which are jointly responsible for the state of affairs in the local territory.

Maslikhat competencies are established by the Constitution (article 86, item 4), while their rights and duties are specified by law. Maslikhats have the right to make independent decisions on issues within their competence. Thus, maslikhats of any level can make decisions that do not contradict applicable legislation without any coordination with or further approval from higher institutions of representative or executive power. Maslikhats may independently determine the methods of preparation, adoption and implementation of their acts. Another guarantee of maslikhat autonomy is their right to determine the goals, objectives and content of their decisions on an independent basis. No institutions have the right to instruct a maslikhat on any issues or on the content of pending decisions. According to article 88, item 3 of the Constitution, maslikhat decisions that contradict the Constitution or legislation of Kazakhstan can be voided only by court.

One guarantee for the autonomy of local executive bodies is a provision in the Law on the Budget System (article 18, item 5) which states that “interference of the government, central executive bodies or local executive bodies in the process of drafting and implementing oblast or raion level budgets is not allowed except for cases envisaged by this law.”

According to the Constitution (article 87, item 5), a maslikhat’s authority may only be prematurely terminated by the Senate for reasons specified by law and according to established procedures or by a maslikhat resolution to dissolve itself. Article 23 of the Law on Local Public Administration establishes the following grounds for which the Senate can prematurely terminate the maslikhat’s authority upon the proposal of the attorney general:

- if the maslikhat violates the Constitution two or more times by adopting decisions that were recognized as unlawful by the court;
- if a newly elected maslikhat does not determine its structure or form necessary bodies within thirty days of its opening session;
- if the respective administrative-territorial unit has been reorganized or dissolved;

- if a maslikhat passes a decision to dissolve itself through secret ballot by a majority of two-thirds of all members;
- in case of insurmountable disagreement with the akimat, expressed through repeated failure to approve the local budget or economic and social programs for territorial development;
- in case of insurmountable disagreement with the akim, expressed through repeated failure to approve the structure of local administration.

In the article immediately following, the law stipulates that a maslikhat may pass a vote of no confidence in the akim if the maslikhat twice fails to approve reports submitted by the akim on the implementation of local budgets, plans and social or economic programs for territorial development. The law thus establishes the right of maslikhats to pass a vote of no confidence as a right that is impossible to exercise. The very order of the two articles serves to quell any rebellious tendencies by maslikhats.

Legal guarantees for local self-governments are also set forth in the Constitution (article 89), but no institutions of local self-government have yet been formed.

10. Next Steps in the Transition Process

Kazakhstan currently faces the dual challenge of overcoming the social crisis caused by reforms and leading the republic on a path to sustainable development. To do so, it is necessary to achieve sustainable, long-term economic growth and social and political stability as well as preserve the ecological balance. It is also necessary to consolidate society and reach a reasonable compromise between vastly different ideas about social development. The strong centralization of power inherited from the Soviet Union still prevails. Local representative bodies have played only a token role, while akims appointed from the top retain the bulk of power.

In light of these problems, measures must be taken to bring administrative bodies closer to the people. Redistribution of power from the center to the regions, or decentralization of public administration, is a key issue. A recent survey asked officials in the presidential administration and prime minister's office the question "how do you understand decentralization of power?" Of respondents, 78.6 percent answered independent budget planning by local governments, 73.3 percent mentioned the election of akims; and seventy percent said increasing the importance of the maslikhat.

It is now apparent that local governments must have true independence in the solution of local issues under market conditions. In addition, they should be accountable to local inhabitants; since akims of all levels have been appointed from the top, they have only been accountable to the officials who appointed them.

Foreign models of local self-government suggest that local authorities should be accountable to local voters through democratic procedures. The main argument in favor of developing local self-governance

is that a strong system of local self-government enables greater responsiveness to citizens' needs, which vary widely from region to region.

Reforming public administration and creating the legal basis for decentralization is still in process, as reformers search for the most effective mechanisms.

The progress of decentralization remains somewhat weak and unstable due to low public support; these concepts were introduced from outside by international organizations, rather than originating from within society. Kazakhstan does not yet have the kind of civil society that perceives the distribution of power between the center and regions as an opportunity to limit arbitrariness by the state, protect rights and freedoms and create broader participation in society. The only sign that these ideas are gaining support are the increasingly visible efforts of certain regional elites.

Amendments to the Constitution and the Law on Local Public Administration open the possibility to elect as well as appoint akims of raions, cities of oblast subordination, towns and villages—an important first step towards the election of akims. It is also one that leaves room for interpretation, since the law does not specify whether local inhabitants or local representative bodies are to elect the akims. Obviously, elections will not be held universally, but will first be introduced in regions and settlements with relatively stable social, economic and political conditions. The next steps are likely to involve the passage of laws to specify mechanisms for electing akims. The first such elections have been scheduled for the fall of 2001.

It is more difficult to predict when the governing powers will be ready to create a system of modern self-government in Kazakhstan. Although the Law on Local Self-government has not yet been adopted, a draft has been published in the media for general discussion. The draft law envisages that local self-government will be organized at sub-raion levels, in villages, rural counties and cities of raion subordination as well as within quarters and micro-districts in cities of oblast and national subordination. Local self-governments will be elected. The main body is the *kenes*, to be selected by the local inhabitants in settlements with over one thousand people. If the settlement has a population of under one thousand, then *kenes* functions are to be performed by a citizen assembly. According to the authors of the draft law, the executive body of local self-government is the *zhamiyat*, which will be headed by a *zhetekshi* elected by inhabitants. The main local community document will be a statute developed by an initiative group and adopted by the vote of the inhabitants.

The creation of local self-government requires a clear delineation of powers. Although the draft law states that local self-governments will “solve issues of local importance independently and at their discretion,” it does not explain what is meant by “issues of local importance.” Nor does the draft Law on Local Public Administration differentiate between the authorities of the local self-government and local government, making it rather difficult to estimate how these relationships will be organized.

Many issues must still be clarified: how local self-governments will be established and function in cities, how akims and local self-governments will interact in villages and rural counties, who will

decide on dismissing village akims and transferring their functions to the local self-governments and at which stage they will do so.

The absence in the draft law of any real financial base for local self-government operations is a significant obstacle. Local self-governments are planned at the level of towns and villages, which do not have local budgets. Instead, the draft stipulates for the allocation of subventions from local budgets to local self-governments. During discussion of the draft law, the Ministry of Finance repeatedly underscored that, according to the Law on the Budget System, subventions can only be allocated from oblast budgets to raion or subordinate city budgets and that there are no budgets at sub-raion levels. For this reason, the ministry insists on the exclusion of this provision.¹³

According to the draft law, the state shall transfer local government property into the ownership of local communities within one year as determined by the government. However, the Ministry of Finance objected that local government property cannot be owned by local self-governments, only consigned to their management.

Thus, the only sources of revenue remaining for local self-governments are the opportunity to establish commercial enterprises and independently tax inhabitants. The establishment of commercial enterprises is a rather dubious option, as local self-governments would then be entering into unfair competition with the private sector, ousting private companies. Tax collection would also create problems if the local self-government simultaneously owns enterprises and acts as a regulatory body. The last option, independent taxation of inhabitants, does not stand up to any criticism, since inhabitants of villages and towns have the lowest income in the country.

How then are these small local self-governments, deprived of own resources, to solve issues “of local importance?” Local self-government cannot exist without real financial potential. If there is to be any point in introducing local government, it is necessary to make changes in the Law on the Budget System, which determines the place of local self-government budgets in the budgetary system.

Some other proposals also deserve attention. During debate over the draft Law on Local Public Administration, the role and position of maslikhats occasioned most discussion. One proposal expressed by the famous lawyer G. Sapargaliyev is of particular interest: “On the one hand, maslikhats are representative bodies, and on the other hand they are bodies of local public administration. If the maslikhats are representative bodies, then they can be recognized as local self-governments at the level of raions and cities. The law determines maslikhats as the bodies of public administration, but they have neither administration objects nor administrators.”

The authors of the draft Law on Local Self-government have the steadfast vision that local self-government should concentrate only on issues of local importance and be absolutely detached from the local administration. However, the state cannot be indifferent to issues of local importance. All these problems require careful assessment and balanced solution. To do so, it may eventually be necessary to make changes and amendments to the Law on Local Public Administration.

Annex 8.1

Major General Indicators

Table 8A.1
Major General Indicators in the Republic of Kazakhstan, 1991–2000

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Population [thousands]	16,405	16,439.1	16,380.1	16,145.8	15,816.2	15,578.2	15,334.4	15,073.0	14,953.1	14,843.7
Average number of people employed in the economy [thousands]	7,480	7,355.8	6,926.3	6,581.8	6,551.5	6,518.9	6,472.3	6,127.6	6,105.4	*
GDP (1991–1992) [RUR million] (1993–2000) [KZT billion]	85,863.1	1,217,689	29.4	423.5	1,014.2	1,415.7	1,672.1	1,733.3	2,016.5	2,596.0
GDP [USD million]	n/a	n/a	1,1426.4	11,840.8	16,645.0	21,041.0	22,172.0	22140	16,854.4	18,264.7
Per capita GDP [USD]	n/a	n/a	693	730	1,068.4	1,350.7	1,445.9	1,468.8	1,049.9	1,230.5
Average annual exchange rate [USD]	n/a	n/a	2.6	35.7	60.93	67.29	75.42	78.29	119.64	142.1
Foreign debt [USD million]	0	111	356	3,240	3,431	4,201	5,946	7,589	7,532	*
Official unemployment rate [% of the economically active population]	0.05	0.4	0.6	1.1	2.1	4.2	3.8	3.7	3.9	3.7
Consumer price index (December to December of the previous year)	190.9	1,614.8	2,265.0	1,258.3	160.3	128.7	111.2	101.9	117.8	109.8

* data has not yet been calculated

Annex 8.2

Populations, Settlements and Administrative Units

Table 8A.2
Administrative-Territorial Units in Kazakhstan, 2001

	Regions	Cities		Counties		Settlements	
		Total	Cities of Oblast Subordination	Town	Villages	Towns	Villages
Republic of Kazakhstan	160	84	39	173	2103	200	7863
Akmola	17	10	2	12	221	14	751
Aktiubinsk	12	7	1	3	121	3	468
Almaty	16	10	3	14	234	15	811
Atyrau	7	1	1	14	56	15	189
East Kazakhstan	15	10	6	27	225	30	870
Zhambylskaya	10	4	1	8	81	12	367
West Kazakhstan	12	2	1	1	154	4	512
Karaganda	9	11	9	39	168	39	556
Kustanay	16	5	4	5	203	13	799
Kzylorda	7	3	1	12	87	12	269
Mangistau	4	3	2	8	25	8	48
Pavlodar	10	3	3	8	166	8	516
North Kazakhstan	13	5	1	3	189	5	774
South Kazakhstan	12	8	4	13	173	13	933
Astana City*	—	1	—	6	—	9	—
Almaty City*	—	1	—	—	—	—	—

* The cities of Almaty and Astana have special status.

Table 8A.3
Settlements by Population Size Categories

Population Size Category	Number of Settlements	Percentage of Settlements	Number of Inhabitants	Percentage of Total Population
0–1,000	5,725	71.8	2,022,026	13.5
1,000–2,000	1,309	16.4	1,804,258	12.1
2,000–5,000	626	7.9	1,787,423	11.9
5,000–10,000	201	2.5	1,690,520	11.3
10,000–50,000	81	1.0	1,841,663	12.3
50,000–100,000	7	0.1	509,483	3.4
100,000–1,000,000	18	0.2	4,168,397	27.9
1,000,000+	1	0.1	1,129,356	7.6
Total	7,968	100.0	14,953,126	100.0

Table 8A.4
General Characteristics of Administrative-territorial Units

	Population	Estimated Number of Political Employees in Local Public Administration**	Number of Administrative Employees in Local Public Administration
Rep. of Kazakhstan	14,953,126	3,009	63,595
Akmola	836,271	252	4,238
Aktiubinsk	682,558	146	3,243
Almaty	1,558,534	282	4,600
Atyrau	440,286	93	1,858
East Kazakhstan	1,531,024	285	5,379
Zhambylskaya	988,840	116	3,537
West Kazakhstan	616,800	176	2,754
Karaganda	1,410,218	234	5,595
Kustanay	1,017,729	302	4,558
Kzylorda	596,215	121	2,603
Mangistau	314,669	46	1,504
Pavlodar	806,983	193	3,765
North Kazakhstan	725,980	215	3,933
South Kazakhstan	1,978,339	225	5,377
Astana City	319,324	37	1,529
Almaty City	1,129,356	14	3,233

Figure 8A.2
Sample Structure of a Raion Administration

Attachment 1

For the decision of the oblast akim

As of «___» _____ 2000, No. _____

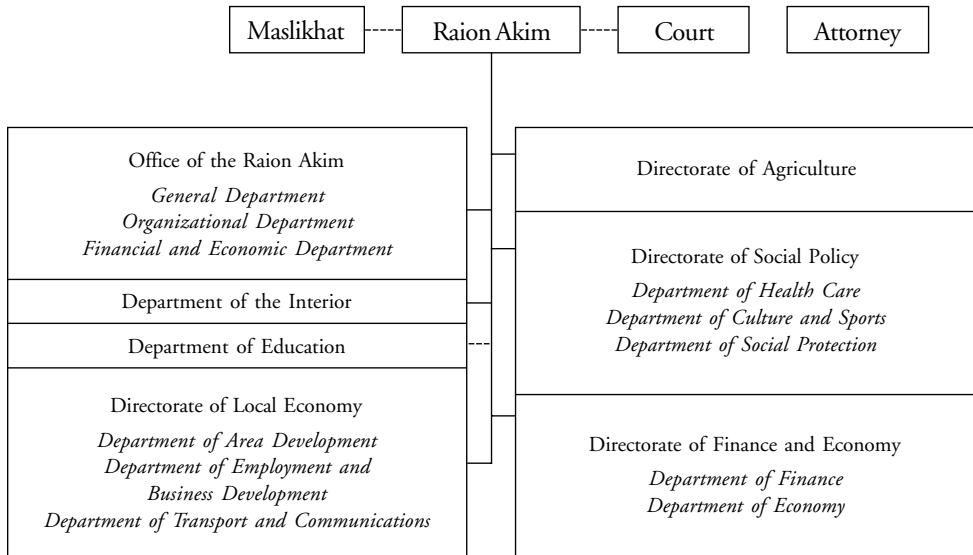
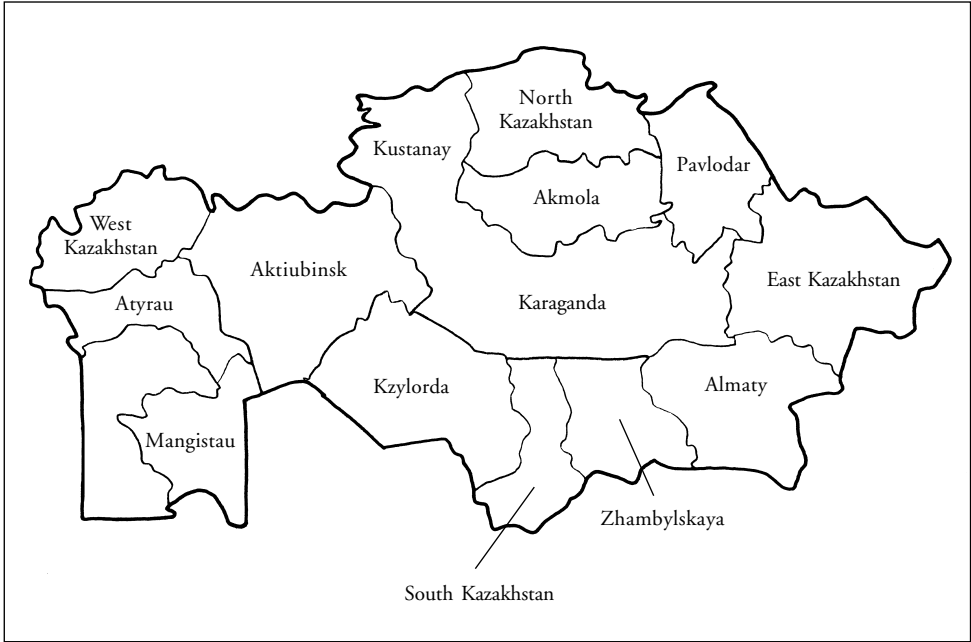


Figure 8A.3
Administrative Map of Kazakhstan



Annex 8.3

Major Laws on Public Administration and Local Government

- Constitutional Law on the State Independence of the Republic of Kazakhstan (adopted 8 December 1991). *Vedomosti (Bulletin) of the Supreme Council of Kazakhstan* 51 (1991): 622.
- Constitution of Kazakhstan (adopted 30 August 1995, amended 7 October 1998). *Vedomosti of Parliament* No. 4 (1996): 217.
- Law on Administrative-territorial Composition of Kazakhstan (adopted 8 December 1993, amended 19 December 95). *Vedomosti of the Supreme Council of Kazakhstan* 23–24 (1993): 507.
- Constitutional Law on Elections in Kazakhstan (Law No. 2464 adopted 28 September 1995, amended 19 June 1997 according to Law No.133-1; amended 8 May 1998 according to Law No. 222-1; amended 6 November 1998; amended 6 May 1999 according to Law No. 375-1; amended 28 June 1999 according to Law No. 407-1). *Vedomosti of Parliament* 17–18 (1995): 114.
- Constitutional Law No. 2529 on the Parliament of Kazakhstan and Status of its Members (adopted 16 October 1995). *Vedomosti of Parliament* 21 (1995): 124.
- Constitutional Law No. 2592 on National Referenda (adopted 2 November 1995). *Vedomosti of Parliament* 22 (1995): 131.
- Constitutional Law No. 2688 on the Government of Kazakhstan (adopted 18 December 1995). *Vedomosti of Parliament* 23 (1995): 145.
- Constitutional Law No. 2733 on the President of Kazakhstan (adopted 26 December 1995) *Vedomosti of Parliament* 24 (1995): 172.
- Constitutional Law No. 2737 on the Constitutional Council of Kazakhstan (adopted 29 December 1995). *Vedomosti of Parliament* 24 (1995): 173.
- Law on Public Associations (adopted 31 May 1996). *Vedomosti of Parliament* 8–9. (1996): 234.
- Law on Political Parties (adopted 2 July 1996). *Vedomosti of Parliament* 11–12 (1996): 260.
- Presidential Decrees on Special Economic Zones in Kazakhstan (adopted 26 January 1996)
- Law on the Budget System in Kazakhstan (adopted 1 April 1999)
- Law on Public Service (adopted 23 July 1999)
- Law on Status of the Capital City of Kazakhstan (adopted 20 May 1998).
- Law on Special Status of Almaty City (adopted 1 July 1998)
- Law on Local Public Administration (adopted 23 January 2001)
- Program for Privatization and Increasing Efficiency of State Property Management for 1999–2000. Government Resolution No. 683 (adopted 1 June 1999), amended by Government Resolution No. 1127 (adopted 11 August 1999)
- Law on Non-profit Organizations (adopted 16 January 2001)

Annex 8.4

Responsibilities of Administrative Tiers

Table 8.A5
Specific Functions of Government Tiers in Kazakhstan

Functions	Raion and Oblast Administrations	Central Administration
I. EDUCATION		
1. Pre-school	X	
2. Primary	X	
3. Secondary	X	National Olympics, state support to schools for gifted children
4. Vocational	X	
5. Specialized secondary	X	Training of personnel for law enforcement bodies, Ministry of Defense, etc.
6. Higher		X
7. Refresher training for professionals	X	X
II. SOCIAL WELFARE		
1. Nurseries	X, insignificantly	
2. Kindergartens	X, insignificantly	
3. Welfare homes	Orphanages	
4. Services for aged and disabled people	Housing subsidies to low-income people; social assistance for the burial of employed people and material assistance to bury the unemployed.	
5. Special services (for homeless, families in crisis, etc.)	1. Support to families with children; assistance to children of enlisted men; support to children living with AIDS;	

Table 8.A5 (continued)
Specific Functions of Government Tiers in Kazakhstan

Functions	Raion and Oblast Administrations	Central Administration
	2. Assistance to unemployed mothers with four or more children under seven; 3. Material assistance to citizens registered as unemployed; 4. Assistance to the disabled children who are raised and educated at home.	
6. State housing stock	Distribute housing stock	
III. HEALTH SERVICES		
1. Primary health care	Provision of primary medical care;	
2. Health protection	Local medical centers; prevention of and response to dangerous infections at the local level;	Rehabilitation of children, centralized purchase of vaccines; prevention of and response to dangerous infections;
3. Hospitals	Hospitals, outpatient clinics, specialized hospitals at the local level; hospitals and clinics for the veterans of WWII	A broad spectrum of hospitals
4. Public health	TB clinics	Collection of blood donations at the national level, sanitation and epidemiological monitoring; TB program
5. Other, in particular:	Provision of inpatient assistance including specialized medical care at the local level	Forensic expertise

Table 8.A5 (continued)
Specific Functions of Government Tiers in Kazakhstan

Functions	Raion and Oblast Administrations	Central Administration
IV. CULTURE, LEISURE, SPORTS		
1. Theaters	Local subsidies to organizations that organize cultural and leisure activities	The same at the national level
2. Museums	Preservation of historical and cultural values at the local level	The same at the national level
3. Libraries	Local subsidies to organizations for cultural activities	The same at the national level
4. Parks	Local subsidies to organizations for cultural and leisure activities	The same at the national level
5. Sports, leisure	Organization of sports activities at the local level	Financing of sports at a high level of achievements; state bonuses
6. Maintaining buildings for cultural events	Administrative expenses	
V. ECONOMIC SERVICES		
1. Water supply	Construction and maintenance of water pipes	Improvement of water resources management and rehabilitation of the water reserves, operation of international waterworks; plans for uniform use of water safety measures, register of the water supply reserves.
2. Sewage	Construction and maintenance of sewage disposal plants	
3. Electricity	Maintains the construction of new electric power lines	Capital investments
4. Gas		
5. District heating		

Table 8.A5 (continued)
Specific Functions of Government Tiers in Kazakhstan

Functions	Raion and Oblast Administrations	Central Administration
VI. ENVIRONMENT, PUBLIC SANITATION	Local environment problems, sanitary epidemiological stations	Organization of environmental protection at the national level
1. Waste collection	X	
2. Waste disposal	X	
3. Street cleansing	X	
4. Cemeteries	Allocate cemetery plots	
5. Environmental protection	Local environment problems; Organize ecological expertise	Organization of environmental protection at the national level
VII. URBAN DEVELOPMENT		
1. Town planning	Draft the general land development plans; serve as clients for the construction of communal, social and cultural objects; issue permits for the construction of communal infrastructure and facilities; organize construction of objects for communication, transport and engineering infrastructure;	
2. Regional/spatial planning	Design the administrative region development plans and general development plans for raion centers	Co-finance certain projects
3. Local economic development	Prepare the scheme for raion planning in oblasts; organize public transportation; maintain roads	Co-finance certain projects
4. Tourism	Operate and maintain roads	Tourism development programs

Table 8.A5 (continued)
Specific Functions of Government Tiers in Kazakhstan

Functions	Raion and Oblast Administrations	Central Administration
VIII. GENERAL ADMINISTRATION		
1. Authoritative functions (licenses etc.)	Issue licenses for business activities, regulate land relationships; issue permits for the construction of communal networks and facilities	Specific ministries are responsible for licensing
2. Other state administrative issues (electoral register, etc.)	Electoral districts are formed to organize elections and calculate votes in the cities and raions by the decisions of respective akims and in coordination with county electoral commissions.	Central electoral commission
3. Local police	Bodies of the interior funded from the local budgets	
4. Fire brigades	Fire brigades funded from the local budgets	The same at the national level
5. Civil defense	Organization of activities on civil defense issues	The same at the national level
6. Consumer rights protection		

Notes

- ¹ Statistics Agency of the Republic of Kazakhstan, *Kazakhstan and CIS Countries* 1 (2000): 41.
- ² “Public Budget Hearing,” *Municipal Administration* (June 1999).
- ³ *Municipal Administration* (June 2000): 7.
- ⁴ “Seminar of Maslikhat Secretaries from Oblasts, Almaty and Astana,” *Municipal Administration* 16, (May 2000): 4.
- ⁵ *Municipal Administration* 17 (June 2000): 3.
- ⁶ Delovaya Nedelia, “Elections to the Parliament of Kazakhstan on October 10 and 24, 1999,” *Final Report of HRD OSCE* 6 (2000): 14.
- ⁷ K. Yezhenova et al., “Elections to Representative Bodies: Expectations and Reality,” *Panorama* 41 (1999): 2.
- ⁸ N. Drozd, “Concentration of the “Protest Electorate” is Highest in Successful Almaty (The Poorest Regions Unconditionally Support Authorities),” *Panorama* 41 (1999): 3.
- ⁹ Presented by the authorities of Pavlodar oblast.
- ¹⁰ J. Djandosova, “Administrative Reform and Corruption Problems,” *Al-Pari* 6 (2000): 69.
- ¹¹ A. Baimenov, “Reform Does Not Accept Stereotypes,” *Kazakhstanskaya Pravda* 43 (22 February 2000): 1–3.
- ¹² Presidential Resolution No. 1845 on the Establishment of the Higher National School of Public Administration (HNSPA) (29 August 1994).
- ¹³ This point was emphasized in the course of discussion on the draft law by B. Zhamishev, first vice prime minister of finance and by N. Korzhova, vice prime minister of finance.

