Chapter 1

The context of local government reform in Kazakhstan

This chapter provides a brief overview of a process of reforms that has driven a significant shift in Kazakhstan’s public governance from a high degree of centralisation towards an increase in the responsibilities of subsidiary levels of government.
In the 25 years since achieving independence from the Soviet Union, Kazakhstan has embarked on an ambitious process of reform which has brought significant change and evolution to its public governance. Though Kazakhstan is a unitary state featuring a high degree of centralisation and a hierarchically organised system of government, its government has displayed a keen interest in increasing the responsibilities of subsidiary levels of government.

This policy assessment aims to examine the main features of Kazakhstan’s decentralisation process. To this end, the assessment considers a number of issues which touch upon the process of decentralisation and certain considerations for implementation in the future. As will be discussed below, finding the right balance between the roles and responsibilities of Kazakhstan’s levels of government has been an enduring feature of its governance discussions. The most recent interest in decentralisation in favour of increased roles for local governments stems for the most part from the objectives set out in the government’s national development plan, Kazakhstan 2050, and the associated Five Institutional Transformations and 100 Concrete Steps announced by President Nursultan Nazarbayev in 2015.

The starting point for this assessment is the observation contained in the 2014 OECD Review of the Kazakhstan’s Central Administration, which pointed out that the centralisation of functions at the central government level had resulted in a weakened capacity at the local level. Though Kazakhstan had in place a legislative framework for central-local government relations, the 2001 Law on Local Government, the OECD’s previous review found its implementation to have been uneven, stemming in part from the lack of clarity in the roles and authorities of local legislatures (masklihats); the lack of differentiation between the functions of subnational levels of government (oblasts; raions; and cities, towns and villages); and a lack of a clear role for citizens to in the decision-making process (OECD, 2014: 66-67).

This assessment seeks to assist Kazakhstan’s decentralisation efforts by proposing areas where policy options may help best realise the potential of these reforms. To this end, the report reviews the factors surrounding the decentralisation of government responsibilities, the steps taken to institute these reforms and their consequences across a number of governance areas. The report makes further proposals to guide Kazakhstan as it moves forward with further decentralisation, including toward greater multi-level governance, and to consolidate existing changes.
Methodology

The report is based on the OECD’s methodology which includes analysis based on multiple points of evidence. The report draws significantly on the expertise of peers and experts from OECD member countries, along with practice-based evidence from its 35 member countries and other relevant international experiences. This information is supplemented by responses to the OECD’s questionnaire completed by the Ministry of National Economy, as the ministry responsible for regional governments, and local executive bodies, the akimats; peer review led fact-finding meetings with representatives of central and local governments and non-governmental organisations; research reports and academic sources.

Decentralisation and multi-level governance

There is no consensus about the degree to which decentralisation of functions should be pursued, as evidenced through the wide difference of degree to which OECD and its partner countries have decentralised. However, as economic and institutional development increases, countries’ interest in decentralisation of authority, responsibility and resources from the national to subnational governments also increases. Indeed, developing and transition countries in particular have seen a general trend towards increased decentralisation, along with increased democratisation. The interest in decentralisation has been prompted by the desire of governments to improve the quality, efficiency and effectiveness of government services and as a means of increasing local development. The benefits deemed to accrue for decentralisation include increased self-reliance, civic participation and accountability. For these reasons, many international organisations have advocated decentralisation as an important aspect of governance (Bhuiyan, 2010; UNDP, 2002; White, 2011; Linn, 2014).

Decentralisation

Decentralisation is a complex and multifaceted concept. It describes both a process and a form of governance. As a process, decentralisation refers to the transfer of authority and responsibility for public functions from the central government to subordinate levels of government, whether intermediate or local governments. Decentralisation may refer to several different forms of transfers, all of which apply to the case of Kazakhstan (Figure 1.1). These include:

- “fiscal decentralisation, entailing the transfer of financial resources in the form of grants and tax-raising powers to sub-national units government;
• administrative decentralisation … where the functions performed by central government are transferred to geographically distinct administrative units; and

• political decentralisation where powers and responsibilities are devolved to elected local governments” (or democratic decentralisation) (Robinson, 2007).

Decentralisation can also be used to describe a form of public governance, where the powers of government are shared or distributed between several levels of government. This arrangement is frequently used to describe forms of government such as those found in federations. By contrast, though Kazakhstan has decentralised aspects of its public administration in favour of local governments, its current model of government is unlikely to embrace decentralisation to the fullest possible extent.

**Figure 1.1. Models of functional allocation and transfer**

![Models of functional allocation and transfer](image)

**Multi-level governance**

If decentralisation is frequently associated in the literature with multi-level governance (Charbit, 2011), in practice these two concepts are different. The OECD defines multi-level governance as the existence of relationships between different administrative levels, such as between the national and subnational levels of government. Multi-level governance is often associated with federal systems, where shared governance is constitutionalised, but it may also apply to other forms of territorial administrative arrangements.

The concept of multi-level governance originally emerged to describe the governance mechanisms of the European Union. Over time, the concept evolved to describe processes where national governments, while playing a
vitaly important role, did not have a monopoly on decision making (Hooghe and Marks, 2002; LaForest, 2011).

Both multi-level governance and decentralisation have specific implications for local governance (Charbit, 2011: 13; Bhuiyan, 2010: 660). Multi-level governance and decentralisation are related concepts – each describes a different form of relationship between governments. As illustrated in Figure 1.2, in a decentralised arrangement, responsibilities flow from the central level of government to the subnational level. The relationship which ensues is binary as it involves only two governments. In multi-level governance arrangements, responsibilities for public policies are shared among governmental actors at several levels. As a result, the resolution of public policy problems requires interactions which flow in several directions. However, it is important to note that multi-level governance and decentralisation are not mutually exclusive as, for example, decentralisation from the central government to the subnational level may lead to the same dynamic flow of responsibilities between lower level governments (as illustrated in Figure 1.2).

Figure 1.2. Governance arrangements

[Diagram showing multi-lateral governance arrangements and decentralization arrangements]

Clarifying the modes and goals of functional transfers

Decentralisation is an integral part of public governance reforms, which aim to streamline the roles and responsibility of the national government. Pursued as part of Kazakhstan’s Plan of the Nation, the country has embarked on a broad process of functional review with the goal of transferring out of government functions deemed redundant or for which the non-governmental sector may be the best suited (President of the Republic of Kazakhstan, 2015). Though described in official documents and by Kazakh officials as a process of decentralisation, the process outlined in the Plan of the Nation resembles by its scope and actions a process of deconcentration (see Figure 1.1).

Modelled on international initiatives and best practices, the Plan of the Nation calls for functional transfers which include forms of self-regulation, outsourcing and privatisation (President of the Republic of Kazakhstan, 2015). Established to advise the President on the implementation of the plan, the National Modernization Commission was given the role of:

- defining the list of functions to be transferred to the private sector for each state body
- selecting the form of function transfer
- analysing the preparedness of the private sector to perform the state functions (including consideration of regulations, price and quality criteria)
- considering the rules for transferring functions prepared by state bodies
- developing a system for the monitoring and oversight of transferred functions (President of the Republic of Kazakhstan, 2015).

In implementing the Plan of the Nation, it will be important to ensure a clear distinction between functional transfers to lower levels of government and the private and non-governmental sector, as well as to clearly establish the criteria for the nature of the responsibility to be transferred and the choice of transfer instrument, which will have an impact on both processes and outcomes. This is especially important where citizen-focused functions are involved. It would be beneficial for the National Modernization Commission to consider these issues to ensure equal access to quality services by citizens across the entire country.
Recommendation

The role of local government representatives and local non-governmental stakeholders should be enhanced and formalised in the process of functional review and decision making. This could be achieved by increasing the participation of these actors in the work of the National Modernization Commission.

Kazakhstan’s decentralisation should be pursued to enhance outcomes for citizens

How far decentralisation should be pursued in Kazakhstan, or in any country, is foremost a choice steeped in the national political culture. How competencies are shared between levels of government can therefore be country specific. As countries consider the degree to which decentralisation is to be pursued, specific national characteristics, policy implications and impacts need to be taken into consideration (Bhuiyan, 2010; Charbit, 2011: 13). As such, there is no optimal level for the allocation of responsibilities between governments and, consequently, no universal benchmark against which to measure governments’ recourse to multi-level governance or decentralisation. At best, countries may rely on principle-based charters and conventions, such as the Aberdeen Agenda (Commonwealth Local Government Forum, 2005) or the European Charter on Local Self-Government (Council of Europe, 1985) to measure how decentralisation in favour of local government has been implemented.

Internationally, there are few examples of countries where all powers and public policy responsibilities are centralised at the national level of government. Instead, in most countries, providing goods and services to citizens is the responsibility of several levels of government. The choice of which level of government should hold which public policy responsibility is the result of the national political evolution which accounts for societal, economic and political choices. Given this, the balance between decentralisation and centralisation will shift as countries find different points of equilibrium between these two forces over time (OECD, 2013).

Across the OECD, national or regional regulations provide more or less details on local governments’ responsibilities, as they often refer to the general clause of competence. This gives local authorities explicit freedom to act in the best interests at local level. In this case, laws rarely limit or specify local responsibilities, but instead enumerate broad functions, except if a particular responsibility is devolved by law to another level of government. Laws can also define whether a subnational responsibility is an
own/exclusive local function, a delegated task on behalf of the central government or another subnational government, or a shared responsibility with another institutional government level. In addition, some subnational responsibilities can be mandatory while others are optional. As a result, the breakdown of competences between the central/federal government and subnational governments as well as across subnational levels of government is particularly complex, sometimes leading to competing and overlapping competences and a lack of visibility and accountability concerning public policies. For each sector and sub-sector, one or more levels of government (central government, state or region, intermediary government and municipal level) may intervene and exercise one or more key functions: regulating, operating, financing and reporting.

Figure 1.3. Breakdown of responsibilities across subnational levels of government: A general scheme


To a significant degree, the main issues to be addressed by decentralisation are fiscal and political. Though fiscal arguments have focused on issues of effectiveness and efficiency, the main issue is ensuring that respective levels of government have the necessary resources to fully
undertake their responsibilities. The political arguments are primarily concerned with linking the response to citizens’ needs with commensurate political and democratic accountability. It follows, therefore, that the transfer of responsibility from one level of government to another should be accompanied by both a transfer of fiscal resources and political accountability. This is especially important where local political institutions are underdeveloped or non-existent (OECD, 2013).

At the same time, the citizen needs to be placed at the centre of the process of decentralisation. In the end, decentralisation should be about making public services more responsive to the needs of local communities. In the case of Kazakhstan, the centralisation of many functions, such as national defence, has little direct impact on citizens. However, where government services feature local delivery – so-called proximity services – the impact on the citizen will be greater. And though the choice about which functions to transfer to local governance is inherently a policy choice, it should be informed by considerations of cost, efficiency and effectiveness, as well as impact on citizens.

In this regard, Step 97 of the Plan of the Nation explicitly refers to enhancing citizens’ capacity to participate in the decision-making processes as one of the drivers of the decentralisation reforms. However, what is less clear is the degree to which responsiveness to citizens’ needs is factored into the decision making about the functions to be transferred (President of the Republic of Kazakhstan, 2015).

In accordance with the Plan of the Nation, in 2015 the Law “On Public Councils” required each government agency, including those at the regional and local level, to establish a public council as an advisory and consultative body with participation of the civil society. At the lowest level of government the general meeting of the citizens can play a role of the public council.

Analysis of some of the web-pages of the public councils at the regional level (Astana city, Karaganda region, East-Kazakhstan region, South-Kazakhstan region) shows that the public councils are active and perform the functions prescribed by the Law, such as discussion of the regulatory and budget decisions, reports of the regional officials, appeals of the citizens and firms, etc. Yet, the provided information rarely reveals the actual content of the discussion, which makes unclear the extent to which public councils had an opportunity to meaningfully engage in decision-making processes. Importantly, as noted in the OECD Open Government Review of Kazakhstan (OECD, 2017), the public councils should serve as a link between the authorities and the community, not as a replacement for the citizen participation. As such, while important progress is being made,
further, more in-depth efforts to deepen citizen engagement would be beneficial for Kazakhstan to fully align with the OECD guidelines on open and inclusive policy-making and practices in OECD member countries, including at the local level.

**Recommendation**

Further develop formal mechanisms to enable active and meaningful citizen participation in the decentralisation process and local decision making. These mechanisms should be comprehensive and include requirements on the full-scope information necessary for decision-making to be provided to the citizens on the regular basis, the feedback mechanisms, development of functions of the government agencies related to increasing responsiveness to citizens (accountability, public communication, transparency of the decision-making).
References


