

**Local Government and Economic Development in Kazakhstan**

**by**

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## ABSTRACT

The main objective of this dissertation is to understand the role of local government in economic development, with a focus on the cities and regions selected by the national government of Kazakhstan to be the drivers of national economic development by the Regional Development Program 2020. The dissertation presents three studies based on qualitative assessment of locally obtained evidence and locally produced data. The first essay examines administrative decentralization and studies how the Almaty city and Almaty region governments failed to use delegated urban planning for the management of urban development. The second essay challenges the fiscal system by exploring how the Almaty and Astana governments struggled to use national transfers provided for the implementation of *national projects*. The third essay focuses on political decentralization reforms and assesses the capabilities of elected representatives from Almaty, Astana, Shymkent and Aktobe city governments in managing urban transport based on public needs. Together, these three case studies provide a broader picture for understanding the productivity of the implemented administrative, fiscal and political reforms. It argues that the absence of a functioning decentralization strategy is leading to unexpected development outcomes and a lowering of public trust in local and national governments. The main contribution of the three studies is that they allow identification of key institutional weaknesses and obstacles faced by local governments in the management of local development in Kazakhstan.

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## ACRONYMS

ADB	Asian Development Bank
ASIADA	Asian Olympic Games
AUD	Australian Dollar
BAKAD	Большая Алматинская Кольцевая Автомобильная Дорога [Big Almaty Ring Road]
BRT	Bus Rapid Transit
CER	Center for Economic Research
CNR	Construction Norms and Regulations
DAUP	Department of Architecture and Urban Planning
DEBP	Department of Economy and Budget Planning
EIA	Environmental Impact Assessment
EXPO	World International Exhibition
FIFA	Fédération Internationale de Football Association [International Federation of Association Football]
GEF	Global Environmental Fund
GRP	Gross Regional Product
ICOMOS	International Council on Monuments and Sites
JSC	Joint Stock Company
KZT	Kazakhstan Tenge
LRT	Light Railway Transport
MNE	Ministry of National Economy
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
RoK	Republic of Kazakhstan
SCSK	State Committee on Statistic of Kazakhstan
TDP	Territorial Development Program
UNECE	United Nations Economic Commission for Europe
UNDP	United Nations Development Program
USD	United States Dollar
UNIVERSIADE	Winter Student Games
YISK	Youth Information Service

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# CHAPTER 1: INTRODUCTION TO THE ROLE OF LOCAL GOVERNMENT IN KAZAKHSTAN

## 1.1 Rationale of the Study

Despite the widely discussed negative social and environmental outcomes of urbanization, cities are widely acknowledged as one of the main drivers of economic development. According to the latest worldwide survey by the Brookings Institution, 300 municipalities/cities contributed to half of the world's economic production (Rapilla, Trujillo, Berube, & Ran, 2015). With the objective of increasing national economic development, the government of Kazakhstan has started promoting urbanization of the country, making it the most urbanized country (60% urban population in 2017) in post-Soviet Central Asia with only 40% urban population (State Committee on Statistics of Kazakhstan [SCSK], 2014). According to the country's Strategy 2050, by 2050 Kazakhstan aims to become one of the 30 most developed countries with 70% of the total population living in urban areas (Nazarbayev, 2012a). In 2014 the Kazakhstani government approved the national "Development of Regions until 2020" program, with the objective of creating four urban agglomerations around the cities of Almaty, Astana, Shymkent and Aktobe (Gov. Res. 728, 2014). This type of restructuring of national and regional economic development has created an evolving policy landscape against which local governments must continue to manage urban development. However, it is not clear yet if these ambitious plans to promote the selected cities will help their local governments generate sustainable economic development.

The national government introduced a pro-urbanization reform in the absence of a clear decentralization strategy (Nellis, 2014). At the same time, the constant expansion of the local governments' functions impacts both the supply and quality of locally provided services. Modern Kazakhstan represents a case wherein local governments are still intensively involved in the provision of public order, social security, education, health care, social protection, distribution of legally established benefits to certain population groups, and support of employment (Local Government Act, 2001, Article 26). Moreover, local governments are accountable for territorial development that integrates land use, housing, water supply, building of engineering infrastructure, leisure facilities, and maintenance and repair of local roads. In addition to this wide range of functions, local governments have recently had to become facilitators of local business development. However, local citizens are not usually satisfied with these services provided by local government (Makhmutova, 2006). There is still a general lack of qualified staff and a lack of institutional capacities (Wilson, Gardner, Kurganbaeva & Sakharchuk, 2002). The common problem in all regions and most cities is an aging infrastructure, bad roads and outdated public facilities (Asian Development Bank [ADB], 2012a; Organisation for Economic Co-operation and Development [OECD], 2017). Given these challenges, along with a national development strategy that emphasizes the role of cities in national economic development, the role of local governments in the economic development of Kazakhstan needs to be studied. Kazakhstan is not alone in pinning its development hopes on cities. Understanding the circumstances in Kazakhstan can help shed some light on the overall strategy of using cities and urban conglomerations as engines of growth in economic development.

## 1.2 Country background and case studies

**Country background.** Kazakhstan was formerly one of the Soviet Union Republics, and declared its independence in December 1991. Kazakhstan is situated deep in the Eurasian continent and has territorial borders with the Russian Federation, Uzbekistan, China, Kyrgyzstan, and Turkmenistan. Kazakhstan also shares the Caspian Sea water basin with countries such as Russia, Azerbaijan, Iran and Turkmenistan. The territory of the Republic of Kazakhstan is 2,724,900 km<sup>2</sup>, the population is 18 million inhabitants (01.09.2017), and the population density is 6.6 persons per square km (SCSK, 2017). This makes it the ninth largest country in the world geographically, but one of the least densely populated. The country is administratively divided into 14 regions and 2 cities of special importance – Almaty (former capital) and Astana (current capital) (Special Status of the Almaty City Act, 1998; Special Status of the Capital City of the Republic of Kazakhstan Act, 2007).

The Republic of Kazakhstan is a unitary state with a presidential form of government, in which the President is elected by general direct vote (see Figure 1.1) (Constitution of the RoK, 1995, Articles 2 & 41). The Parliament of the Republic of Kazakhstan is the highest representative body of the Republic performing legislative functions and it consists of two chambers: the *Senate* formed by *Deputies* elected for six years, and the *Mazhilis* formed by *Deputies* elected for five years (Article 49 & 50). The *Senate* is composed of two members elected from each of the 14 regions, Almaty, and Astana cities, and 15 members appointed by the President to ensure representation of the varying cultures within the nation and other significant public interests. The *Mazhilis* consists of 98 *Deputies* elected by and from various political parties, and nine *Deputies*

elected by the Assembly of the People of Kazakhstan. The Government serves as the executive power of the Republic of Kazakhstan (Article 64). The President appoints the Prime Minister with the consent of the *Mazhilis* (Article 44). The Prime Minister of the Republic of Kazakhstan organizes and supervises the activities of the Government (Article 67).

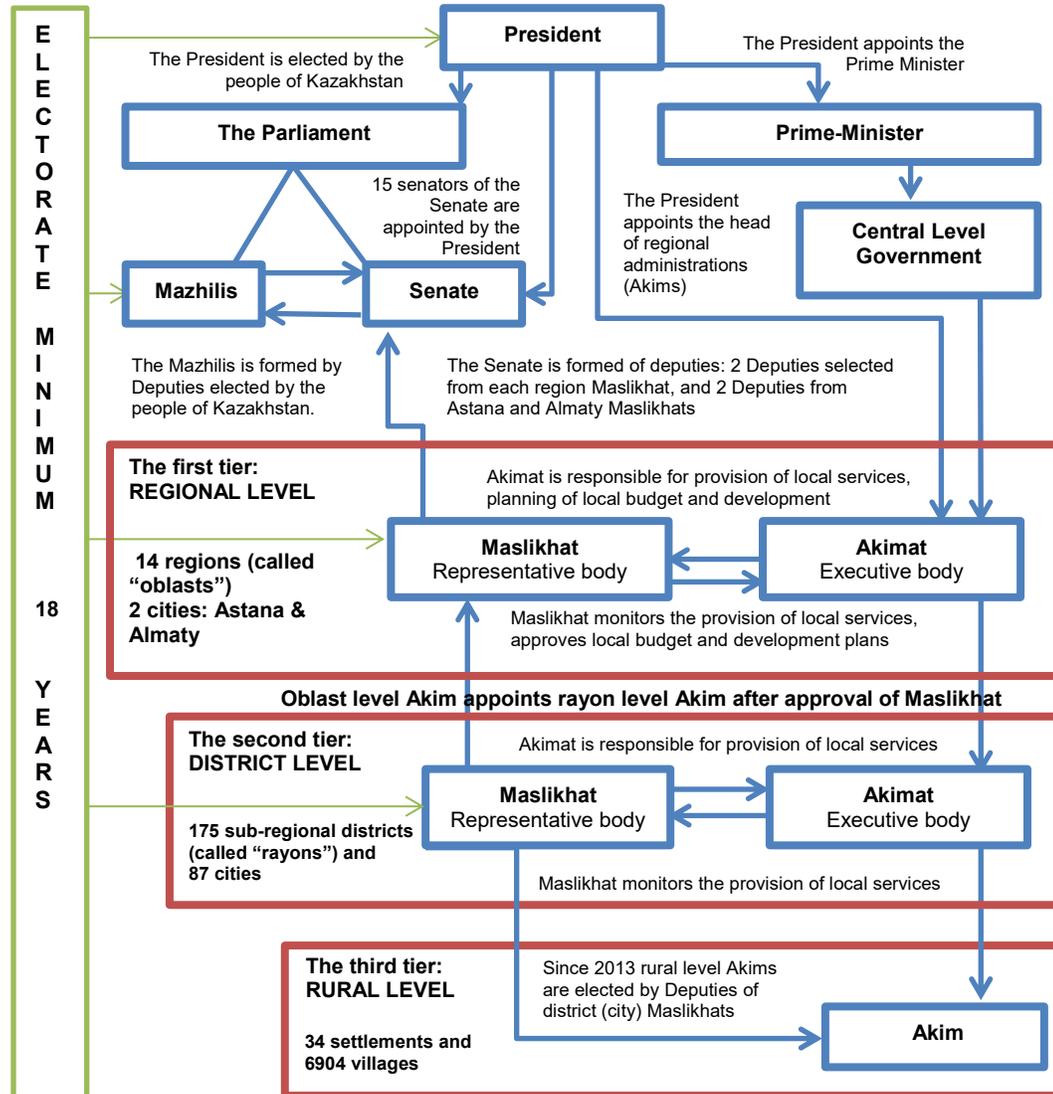


Figure 1.1 The State Public Administration of Kazakhstan. Adapted from *Local Government Organization and Finance: Kazakhstan* (p. 281), by M. Makhmutova, 2006, Washington D.C.: World Bank. Copyright 2006 by Meruert Makhmutova. Reprinted with permission.

The three main tiers of the local government represent the subnational level of Kazakhstan’s public administration (see Figure 1.2). The first and second tiers of local governments have their own governmental structures. A local representative body called *Maslikhat* and a local executive body called *Akimat* form the local government (Local Government Act, 2001, Article 2-1). Besides these two main local government bodies, there are also several regional and local branches of the central government (departments of the ministries). The *Akimat* represents a bureaucratic apparatus that is responsible for local public administration. The *Maslikhat* is a local council, often called a self-government body (Komarov, 2010).



Figure 1.2 The Map of Kazakhstan with Location of Urban Agglomerations. Produced by the author based on the *Political Map of Kazakhstan*. Retrieved January 25, 2015, from: <http://www.mapsofworld.com/kazakhstan/kazakhstan-political-map.html>. Copyright 2015 by Maps of World. Reprinted with permission.

**Case studies.** The main objective of the thesis is to focus on the cities and regions selected by the central government of Kazakhstan to be a part of four urban agglomerations with centers in Almaty, Astana, Shymkent and Aktobe cities. Almaty and Astana belong to the first tier of government, meaning they are equal to the other 14 regions of Kazakhstan. Almaty and Astana cities are directly represented in the *Mazhilis*. Aktobe and Shymkent belong to the second tier of government, the sub-national government. Aktobe and Shymkent city governments are subordinated to Aktobe and South-Kazakhstan regional governments, respectively. Aktobe and Shymkent cities are represented in the *Mazhilis* indirectly via representatives of Aktobe and South-Kazakhstan regional *Maslikhats*. The system of ward based election of *Deputies* works the same way in all four cities. Almaty has 37 electoral districts and 37 *Maslikhat Deputies*, each representing about 45,488 people per district (see Table 1.1). In Aktobe, there are only 23 *Deputies*, each responsible for about 22,199 people. The number of civil servants in the Almaty *Akimat* is 40 times higher than the number of *Deputies*.

Table 1.1

*Main features of case study cities (2016)*

Name of the city	Population	Territory in hectares	Density, people/ hectares	Number of <i>Akimat</i> staff	Number of <i>Maslikhat Deputies</i>	Number of people per <i>Maslikhat Deputy</i>
Astana	867,790	71,000	12	896	25	34,712
Almaty	1,683,048	76,000	22	1,491	37	45,488
Shymkent	877,455	116,280	8	509	26	33,748
Aktobe	510,568	30,600	17	131	23	22,199

*Note.* Developed by author based on the information provided by *Akimats* and *Maslikhats* of Astana, Almaty, Shymkent, and Aktobe cities, June 2016

In 2016, based on public opinion, Shymkent city was awarded the status of being the most comfortable city to live in Kazakhstan, outperforming Almaty and Astana, which shared the 3<sup>rd</sup> ranking position (Tengri News, 2016). Due to several adjustments of the administrative borders, Shymkent, Almaty, Astana and Aktobe cities have large territories, but relatively low population density (see Table 1.1). According to the city governments, the cities' territories were increased for the development of urban infrastructure (e.g., a transport system). However, according to public opinion, the expansions have not helped solve their development problems. When people assessed the development of urban transport infrastructure, Shymkent was moved down to the 4<sup>th</sup> position while Astana took 7<sup>th</sup> place and Almaty appeared in the 10<sup>th</sup> position (Vengrovskaya, 2016). Being the smallest among the four cities, Aktobe city did not appear in the national ranking.

Belonging to the first tier of the local government and having equal access to national transfers, Almaty and Astana city governments are interested in receiving additional money from the national budget. Almaty is the largest city in the country, with a population about 1.6 million people (in 2016). It attracts more than 15 % of all the investment in Kazakhstan and 1/3 of all tax revenues is collected there (Akimat of Almaty City, 2014). As the capital city, Astana has turned into a special hub for public investment (Köppen, 2013). From 1996 to 2014, the number of citizens rapidly increased from 289,700 to 852,900 people (Akimat of Astana, 2011; Akimat of Astana, 2016). Despite its favourable economic status compared to Astana, the Almaty city government must demonstrate the need for additional public investment to obtain national government funding. For example, the *Akim* of Almaty visits Astana and the national

government at least once a week to discuss their financial status (Civil servants from national government, personal communication, May 2016).

Since 1996, both Astana and Almaty have been receiving considerable national transfers allocated to the development of urban infrastructure. Thanks to national transfers, the number of construction projects in the new capital city of Astana increased from KZT 2,704 million (USD 36 million) in 1996 to KZT 472 billion (USD 2 billion) in 2015. In the 2000s, the national government of Kazakhstan resumed funding the construction of the Almaty metro system by directing national transfers to this expensive project that was started by the Soviet government in 1988 and suspended for more than 10 years due to lack of public funds (Akimat of Almaty City, 2016a). The first line with eight stations was opened before hosting of the 7th Asian Winter Games 2011, and two more stations of the first line were added in 2015 before hosting of the 2017 Winter Universiade.

After 2008, the national government reacted to the global economic crisis by developing and implementing a monetary stabilisation plan (Ministry of National Economy [MNE], 2009). Price stability was secured by the artificial overvaluation of the KZT. The recent financial crisis hit the Kazakhstani economy in 2016, leading to the national government's decision to let the national currency float on the market (see Figure 1.3). Despite the global recession, the national government still favoured Almaty and Astana. During 2005-2016, Astana and Almaty cities received USD 19 billion of the national transfers (see Figure 1.4). By supplementing the growth of small and medium enterprises, national investment has positively affected the local business environment in Astana and Almaty (see Figure 1.5).

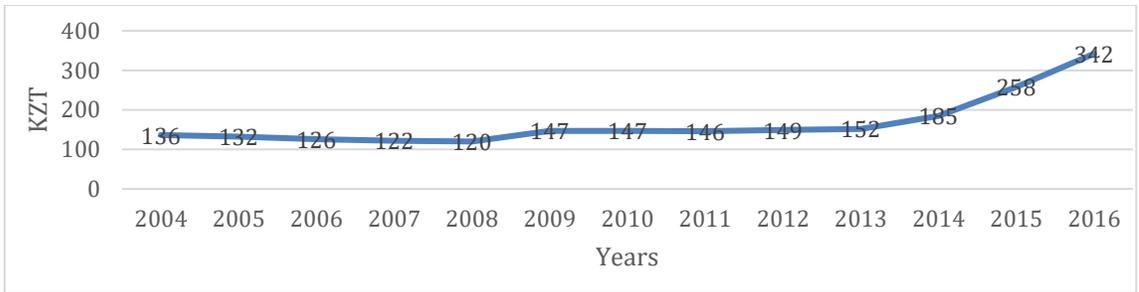


Figure 1.3 The Cost of KZT 1 in the USD (2004-2016). Data retrieved March 15, 2017 from the official website of the National Bank of the Republic of Kazakhstan: [www.nationalbank.kz](http://www.nationalbank.kz)

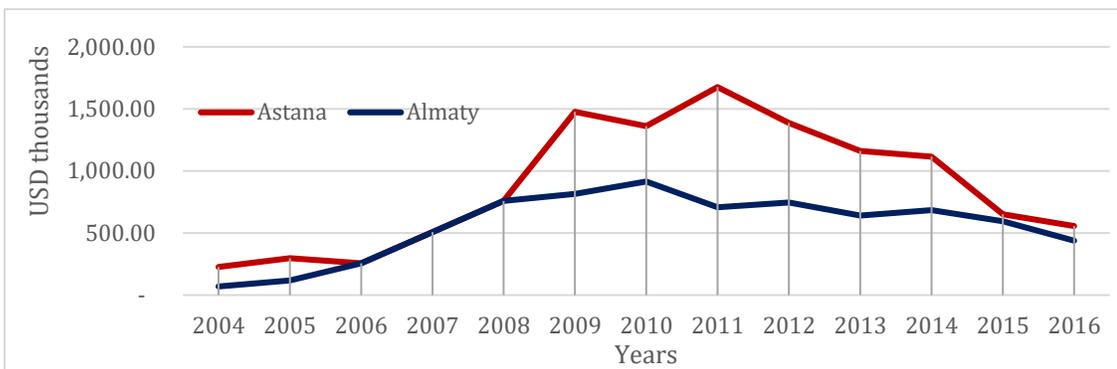


Figure 1.4 National Transfers to Astana and Almaty (2004-2016). Data retrieved January 10, 2017 from the official website of the Ministry of Finance of the Republic of Kazakhstan: <http://www.minfin.gov.kz>

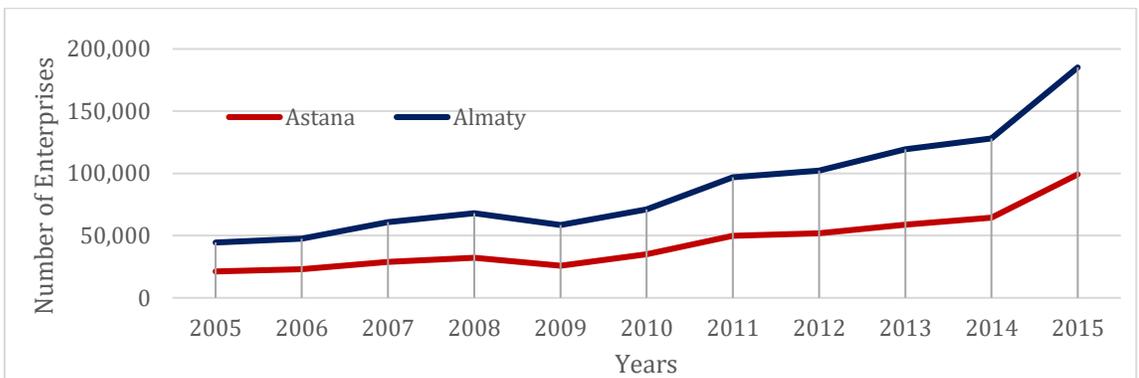


Figure 1.5 Number of Active Small and Medium Enterprises (2005-2015). Data retrieved April 18, 2016 from the official website of the State Committee on Statistic under the Ministry of National Economy of the Republic of Kazakhstan: <http://www.stat.gov.kz>

Almaty remains the largest city of Kazakhstan. The national government has attempted to integrate the physical development of Almaty city and Almaty region (see Figure 1.6) under the umbrella of the *Almaty agglomeration* (Gov. RoK Res. 302, 2016) by developing a special *genplan* named *Interregional Scheme of Territorial Development of Almaty Agglomeration*. The total area of the proposed territory of the Almaty agglomeration in the plan is 939,500 hectares. It includes Almaty city and several neighbouring towns of the Almaty region such as Kapshagai, Kaskelen, Talgar and Esik (see Figure 1.7). The population of the proposed *Almaty agglomeration* was equal to 2.4 million people (beginning of 2014), which accounted for 14% of the total population of Kazakhstan. The urban population was 1,701,500 people (71% of the total population of the agglomeration) and the rural population was 698,700 people (29% of the total population in 2014).



Figure 1.6 Sub-Regional Districts of Almaty Region (2015). Produced by the author based on the maps provided by the *Akimat* of Almaty region in June 2015. Copyright 2015 by *Akimat* of Almaty region. Reprinted with permission.

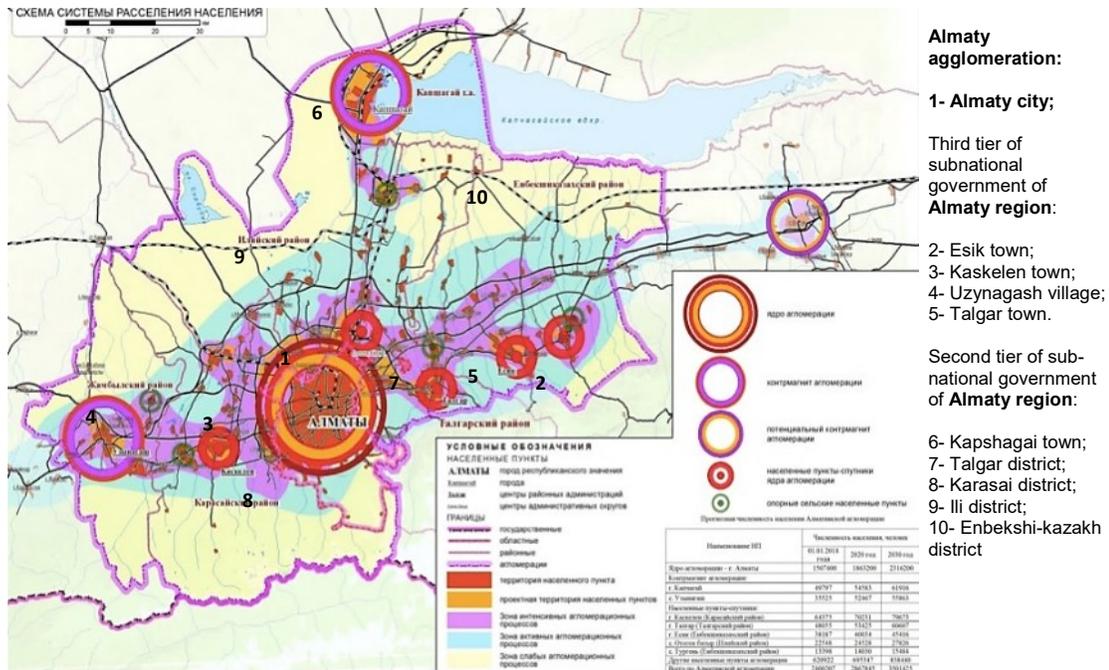


Figure 1.7 Interregional Scheme of Territorial Development of Almaty Agglomeration (2015). Produced by the author based on the maps provided by the Akimat of Almaty region in June 2015. Copyright 2015 by Akimat of Almaty region. Reprinted with permission.

The national government believes that the *Almaty agglomeration* plan will also help neighbouring city and regional governments to improve local economic conditions. However, Almaty city surpasses the Almaty region in economic development and the difference between the economic potential of the two administrations is constantly growing (Akimat of Almaty Region, 2016). The gross regional product (GRP) of Almaty region is increasing annually by approximately 20% (aggregate), but this is still four times lower than the GRP of the city (see Figure 1.8). Almaty city has special status of national importance, making it equal to the Almaty region and including it in the first tier of the subnational government (Special Status of the Almaty City Act, 1998). At the same time, regional territories neighbouring Almaty city belong to the second and even third tiers of the subnational government, being subordinated to the Almaty region (see Figure 1.7).

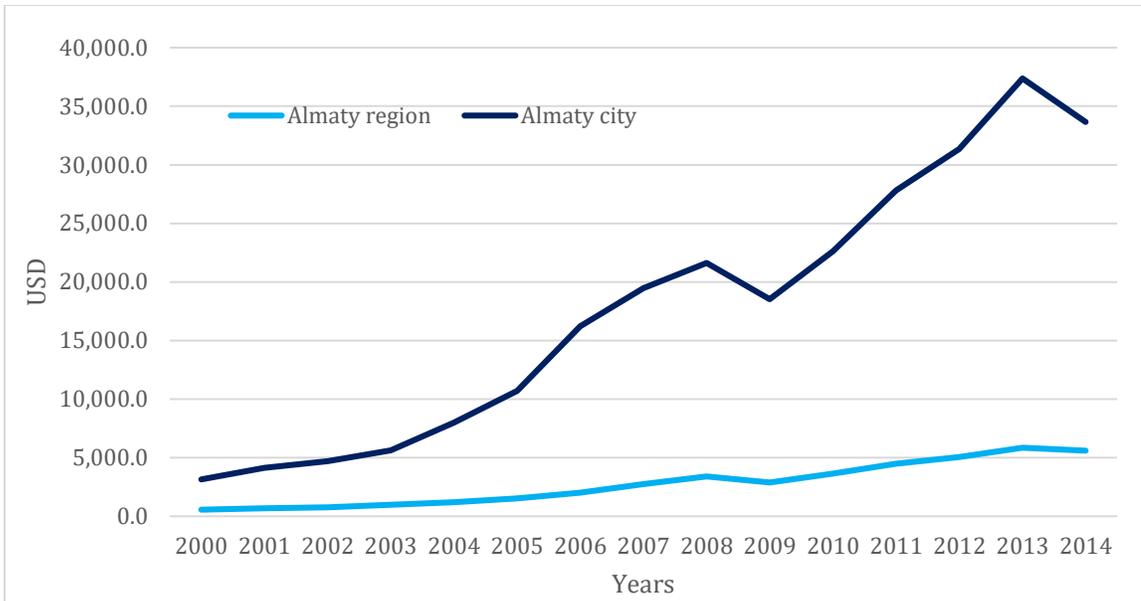


Figure 1.8 GRP per Capita of Almaty City and Almaty Region (2000-2014). Data retrieved May 8, 2015 from the official website of the State Committee on Statistic under the Ministry of National Economy of the Republic of Kazakhstan: <http://www.stat.gov.kz>

### 1.3 Local government and decentralization reforms

**The changing roles of locally elected politicians in Kazakhstan.** The recent policy reforms (covering public administration, budget systems and local elections in Kazakhstan) were undertaken to improve local governments' accountability to the local community. In addition, they aimed to empower the locally elected bodies known as *Maslikhats*. *Maslikhats* which are formed by *Deputies* and are elected by the population based on universal, equal, direct suffrage by secret ballot for a period of five years. (Constitution of RoK, Article 86). There is a ward-based election system wherein the electoral districts are formed considering the administrative-territorial division of Kazakhstan. Each district has approximately the same number of voters. The difference in the number of voters in electoral districts should not exceed fifteen percent of the average number of voters for each *Deputy* mandate in this administrative-territorial unit

(Constitutional Act on Elections, 1995, Article 23). Any citizen of the Republic of Kazakhstan, who has reached the age of twenty, may be elected as a *Deputy* of the *Maslikhat*, but he/she is allowed to be a deputy of only one *Maslikhat* (Constitution of RoK, Article 86). The current legislation allows *Deputies* to work for a different sector while fulfilling electoral mandates since *Deputies* do not get any monthly-based salaries; only the *Maslikhat* Secretary is a paid position (Local Government Act, 2001, Article 19).

The main work of the *Deputies* is carried out during the *Maslikhat* sessions managed by permanent commissions formed by *Deputies of Maslikhat*. Each year the *Deputies* must hold at least four mandatory meetings, but they can also meet in additional sessions, which need to be announced five days before the meeting (Local Government Act, 2001). Legally, the powers of a *Deputy* can be terminated early if he/she does not fulfil his/her duties on a regular basis, including being absent from *Maslikhat* sessions more than three times (Local Government Act, 2001, Article 20). The President of the Republic has the authority to dismiss a *Maslikhat* before its official termination dates, after consultations with the Prime Minister and the Chairmen of the Chambers of the Parliament. The most recent early termination of local *Maslikhats* took place in 2016, a year after the early re-election of the country President. Additionally, *Maslikhats* can terminate their work at any time if they make the decision to dissolve. The current system of local government is partly inherited from the Soviet period and has gone through various transformations.

Local *soviets*, composed of *Deputies*, represented a significant part of the local government of Soviet Kazakhstan. These *soviets* were responsible for local level decision-making and guiding local administrators in public service delivery. People could

address local *soviets* with their claims, and *Deputies* could lose their place if they did not properly respond to them. In response to local pressure, *Deputies* could act autonomously “without waiting for directives from above, for which they are occasionally recognized and rewarded” (Madison, 1968, p.88). Contrary to local administrators, the local *soviets* had certain autonomous rights. They were responsible for ratifying local budgets during special sessions, and collected “secured (*zakreplenny*) local taxes and payments of profit of enterprises of local subordination... regulated (*regulirovannye*) funds” (Ross, 1987, p70). In terms of local expenditure, they could distribute their budget resources in accordance with their own needs and those of their subordinate budgets: “the right to enter into negotiations with all enterprises regardless of administration with regard to the joint use of funds for the development of municipal economy, housing and other amenities” (p. 71).

After the dissolution of the Soviet Union, local government retained some features of the former system such as local council (*soviet*), although a new nation and new post-Soviet administrative machinery had to be created (Omarov, 2006). To reach overall national development objectives, there was a need to involve local governments as part of the top-down public administrative machine. In the early years of Kazakhstani independence, government reforms were focused on forming the foundations of the statehood: the institutionalization of the rule of law, and the switch from planned to market economic conditions (Kalyuzhnova, 1998). These structural changes required a certain centralization of the public administration via vertical integration (Kamirova, 2010, p. 94). The Local Representative and Executive Bodies Act (1993) introduced a new model of local government in Kazakhstan. The head of the local administration

(*Akim*) became the appointed person to represent the President of the country. Local *soviets* were then reassigned the name *Maslikhats*, and they did not participate in local governance to the same degree they had in the past. Only after economic stabilization did the national government gradually start to pay attention to the democratization of local government (Omarov, 2006).

After 2001, *Maslikhats* became responsible for approval of local plans, development programs, local budgets and other documents developed by *Akimats* (Local Government Act, 2001, Article 6). The Presidential Executive Order No.86 on the procedure of appointment of heads of regions, regional cities, city districts (2011) corrected the *Akims* process of appointment. Currently, *Akims* of the various regions as well as Almaty and Astana are still appointed directly by the President of Kazakhstan, but only after a candidate for the position of *Akim* has been approved by the regional/city *Maslikhat*. The heads of the sub-regional districts are assigned by the regional administration and the candidate for the position of *Akim* has to be approved first by the district *Maslikhat*. Interestingly, only the rural governments, which have no defined structure or budget, received a special decentralization opportunity to be governed by an elected *Akim*. The rural *Akims* were previously appointed by the district level *Akims* until 2013, but now they must be elected. “The heads of cities with district status, rural districts, settlements and villages will be elected based on indirect suffrage by secret ballot” (The President on the Election, 2013). This suffrage is “indirect” because *Akims* will be elected not by citizens directly, but by the *Deputies* of district (city) *Maslikhats* who form an electoral college.

**Administrative decentralization of urban planning.** Since the first day of independence, Kazakhstan's national government paid special attention to economic reforms and urban development. The President of Kazakhstan has repeatedly stated: "the economy first, then politics" (Nazarbayev, 1997). In 1997, the President introduced the long-term National Development Strategy "Kazakhstan – 2030", which includes a section dedicated to developing Astana into a city of national importance. Then, after the national government adopted the Urban Planning, Architectural Design and Construction Activities in the Republic of Kazakhstan Act of 2001 (further Urban Planning Act), local governments became responsible for urban planning and regulation of urban development. However, the delegation of urban planning duties was not supported by professional training or provision of public finance to invest in urban development (Consultants, personal communication, June 2014). Local governments had to find their own ways to adjust urban planning activity to their managerial needs by cooperating with private urban planning companies.

Both local governments and urban planners did not understand the changing urban economic realities enough to propose workable development plans. In the Soviet period, the Soviet Planning Committee (often called *Gosplan*) was responsible for urban planning, economic planning, and distribution of Soviet investment (Dyker, 2013). The relationship between the *Gosplan* (located in Moscow) and urban areas of the USSR took place in a highly centralised context, wherein each city was a working part of the Soviet economic chain (Coulibaly, Deichmann, Dillinger, Ionescu-Heroiu, Kessides, Kunaka, & Saslavsky, 2012). *Gosplan* supplied all Soviet cities with the main urban development document: *General Plan* (often called *genplan*). *Genplan* defined land use along limited

functional zones (industry, housing micro-districts, city core, etc.) and corridors for key urban infrastructure such as roads and communal services. Special Soviet urban planning institutions under *Gosplan*, mainly located in Moscow and Saint-Petersburg (Leningrad), developed *genplans* for cities of Kazakhstan based on the statistical data and expert knowledge of Soviet planners (Junussova, 2010).

After gaining independence, the national government did not attempt to improve the local governments' capacity to carry out urban planning. For about 15 years (1993-2008), five to seven main urban planning companies produced most of the *genplans*, but these *genplans* were produced by planners whose theoretical and practical knowledge was rooted in the Soviet past (Consultants, personal communication, June 2014; March 2015; May 2016). These private planning companies were established in the 1990s by active urban planners who worked in the main Soviet planning institute of the Kazakh Soviet Republic called "Kazgiprograd" (lowest level branch of *Gosplan*). Although during the last seven years (2009-2016) the number of companies eligible to execute urban planning increased from 10 to 50, the quality of urban planning remains very low (Civil Servants from the MNE, personal communication, May 2016).

There is a prevailing crisis in the urban planning profession regarding planners' qualifications in Kazakhstan (Consultants, personal communication, May 2016). The public mainly criticizes the fact that Kazakhstani planners, like Soviet planners, approach the planning process as engineers, addressing mainly clients' (national and local government) needs rather than local community needs (Experts from local NGOs, personal communication, June 2014; January 2015; June 2016). Approximately 90% of the interviewed chief planners were educated based on central planning principles in the

Soviet times (personal communication, June 2014; December 2015). More than 80% of the interviewed young planners were graduates from national universities being taught by teachers using Soviet theories and had only experienced Soviet-type planning. Such urban planners rarely obtain the legal knowledge required to understand ownership structure and land use, or adequate policy knowledge to mediate between public and private actors' interests. Hence, planners claim that they experience many difficulties related to understanding their roles as planners in the market' economy realities. More specifically, they express their struggle to address the needs of local communities (personal communication, May 2016).

The *Urban Planning Act* (2001) went through several updates, but it still leaves room for application of outdated norms and standards that were used to regulate urban planning practice in Soviet period. *Genplans* are still produced as technical plans, mainly focused on demographic forecasts and the creation of basic conditions for the *city-forming population* (in Russian “*градообразующее население*”). Knowing the expected number of future dwellers, the work of planners is limited to the distribution of normative provisions such as square meters of housing per person, public schools per thousand people, and other new services without adequate consultation with local actors (Urban Planning CNR 3.01-01, 2008). Modern *genplans* propose functional zoning for the development of different public services, often ignoring the current distribution of land uses privatized by a wide range of actors (Civil servants of Ministry of National Economy, personal communication, June 2014).

Urban planning represents a separate activity from economic planning. There are two different frameworks for urban planning and economic planning, respectively (see

Figure 1.9). Urban planning and economic planning are administered by different departments of *Akimats*, sometimes with conflicting guidance from different agents of the national government. *The Department of Architecture and Urban Planning (DAUP)*, headed by the *Chief Architect*, is responsible for urban planning and regulation of physical development, whereas the *Department of Economy and Budget Planning (DEBP)* is responsible for economic planning and management of local budgets. Since 2009, local governments became responsible for the development and implementation of the *Territorial Development Programs (TDP)* (Presidential Executive Order No. 827, 2009), which have to be produced by *DEBPs* according to the methodology designed by the Ministry of National Economy (MNE) (MNE, 2014b). Also, in addition to local acceptance, the *TDP* are subject to preliminary examination at the national level, according to the checklist developed by the MNE (Civil servants of *Akimats*, personal communication, June 2014). *The DAUP* orders *genplans* to be produced by external consultants, but these *genplans* still have to be produced based on specific planning guidelines and technical standards (further *norms*) established by the *Committee for Construction and Housing and Communal Services of the MNE*<sup>1</sup> (*Committee for Construction*) (Urban Planning Act, 2001, Article 28). Finally, the same *Committee for Construction* examines *genplans* in regard to their compliance with the nationally established norms (Instruction on the Development, Coordination, Approval and the Design Documentation for Construction, 2011).

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<sup>1</sup> The *Committee for Construction* was an independent state agency from any ministry until 2014 when it became a sub-structure of the MNE (MNE, 2014c)

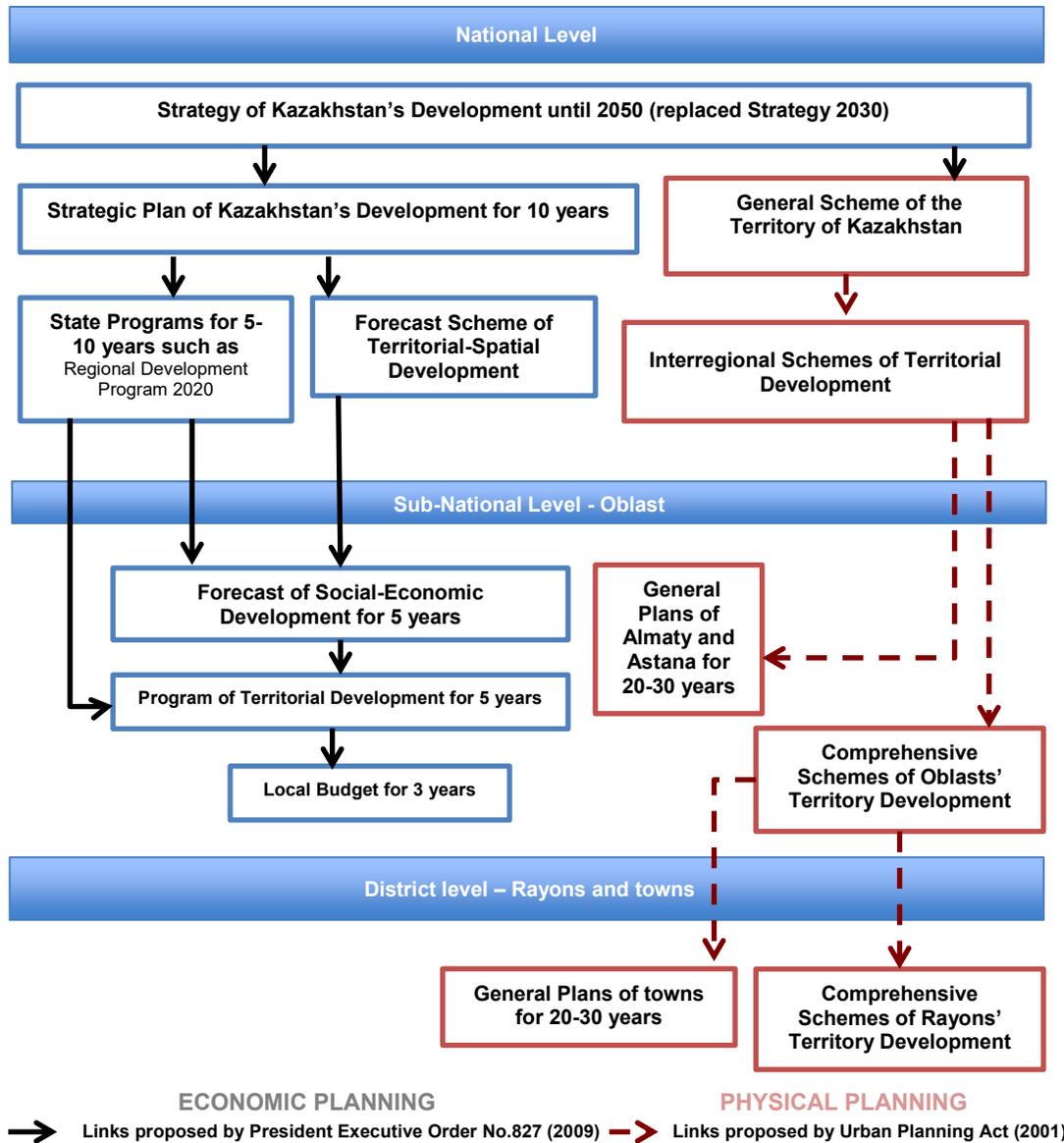


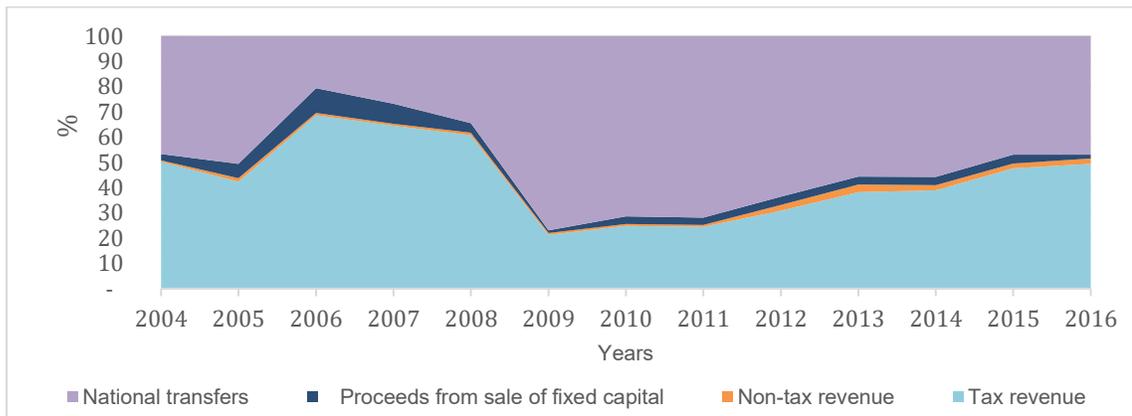
Figure 1.9 Formal Economic and Urban Planning Frameworks of Kazakhstan. Reprinted from *OECD Urban Policy Review: Kazakhstan* (p.117), by OECD, 2017, Paris: OECD. Copyright 2017 by the OECD. Reprinted with permission.

*TDPs* and *genplans* are developed based on different principles and they have different objectives, system of indicators, and requirements for the expected outcomes as well as planning timelines (*genplans* for 20-30 years and *TDP* for 5 years). The *DEBP* undermines the importance of a *genplan* (Civil servants of Akimats, personal

communication, March 2015). In many cases, local governments simply included the suggestions from *genplans* in *TDPs* as a sub-section with “territorial development” as the title (Akimat of Almaty Region, 2011; Akimat of Almaty city, 2013). Both the Almaty municipal government and the Almaty regional government produced and approved *TDPs* for the 2011-2015 timeframe and the 2015-2020 timeframe, but it is not clear how these economic plans, coexisting with *genplans*, affect the current practice of urban development (Civil servants from the MNE, personal communication, May 2015). In fact, the *TDPs* being incompatible with the existing *genplans* have prevented the local governments from obtaining a workable tool to forecast economic perspectives. As a result, *genplans* continue to be developed without integration of feasible economic indicators or local budget for investment in physical urban development (Civil servants from national government, personal communication, February 2016). Contrary to *genplans*, *TDPs* are directly linked to budgeting processes. Without *TDPs* indicating local development projects that can be implemented in the framework of different national programs (including program-related funding), local governments cannot approve local budgets (Budget Code, 2008, Article 75).

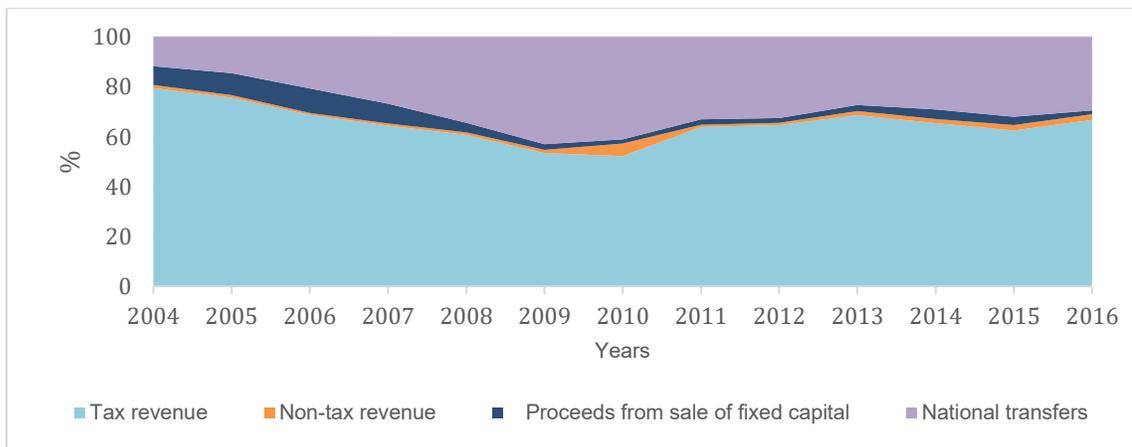
**Fiscal decentralization and financing of urban development.** The ability of local governments to collect local taxes in Kazakhstan is challenged by the weakness of the taxation system and current structure of incentives. Local governments in Kazakhstan are not fully autonomous with respect to taxation power in that they do not have the power to change tax rates or to define the sources of taxation (Makhmutova, 2006, p. 439). The Taxes and Other Mandatory Payments Act (1995) introduced the concept of “state and local taxes”. In 1999, though, the concept of "local tax" was excluded from the

tax law (Kamirova, 2010, p.53). The Tax Committee of the Ministry of Finance is responsible for collecting all taxes, including locally generated taxes. Territorial branches, subordinate to the Tax Committee, collect locally generated taxes without reporting to local governments (Tax Code, 2008). In 2016, Astana’s tax revenue was only 40% of the total budget revenue (see Figure 1.10), whereas Almaty generated 65% of revenue by taxation and (see Figure 1.11).



*Figure 1.10* Change of the Budget Revenue in Astana City (2004-2016). Data retrieved January 10, 2017 from the official website of the Ministry of Finance of the Republic of Kazakhstan:

<http://www.minfin.gov.kz>



*Figure 1.11* Change of the Budget Revenue in Almaty (2004-2016). Data retrieved January 10, 2017 from the official website of the Ministry of Finance of the Republic of Kazakhstan:

<http://www.minfin.gov.kz>

The current distribution of taxes among different levels of government creates limited incentives for city governments to prioritize the generation of revenues via taxation (Civil servants of Ministry of Finance, personal communication, March 2016). Until January 1, 2002 corporate income tax, excises on alcohol products and payments for environmental pollution were equally divided between the state and local levels of the budget system. After amendments to the Budget System Act (1999) in November 2001, the corporate income tax began to be fully paid to the national budget, whereas excise taxes on alcohol products and payments for environmental pollution were completely given to local budgets. Since 2002, corporate income taxes have stopped being a part of the local tax revenue, whereas, the share of national transfers to local budgets increased from 30-70% (Kysykov, 2013). Almaty's and Astana's revenue is generated by the collection of 23 taxes including personal income tax, social tax, property tax, land tax, transport fee, fixed tax, excise tax, etc. Additionally, city governments can collect local administrative fees, impose fines and penalties, and benefit from property income.

In Kazakhstan, less than 30% of local revenues were generated through taxation in 2016 (Ministry of Finance, 2017). Personal income tax and social tax constitute the highest contribution: approximately 70% of all total tax revenue of local budgets. In 2016, the tax revenue of Almaty and Astana was primarily comprised of shared taxes: personal income tax (Almaty 50%, Astana 47%), social tax based on payroll (Almaty 34%, Astana 36%), and other taxes (Almaty 16%, Astana 17%) (Ministry of Finance, 2017). Locally collected land and property taxes continued to contribute the lowest portion (10% in 2016). Astana and Almaty city governments can change the land tax rate based on land zoning projects and fix the rate of minor local taxes (Article 338, Tax

Code, 2008). However, the city governments have not yet used this opportunity to increase local revenues due to the absence of adequate regulatory tools that integrate land taxation with the current practice of land use management (see Chapter 2).

Local governments' activities related to the use of local budgets remain highly regulated by the Budget Code (2008) and local governments are not motivated to produce public goods to meet the needs of local tax payers (Civil servants of MNE, personal communication, March 2016). The Budget Code (2008) regulates not only revenue generation, but also local spending (Articles 55 & 56). Spending must be planned and included in local budgets prepared by local governments on a tri-annual basis. Often, the national government penalizes local governments of Kazakhstan for non-targeted or untimely spending of public money (Civil Servants from the Ministry of Finance, personal communication, February 2016). As a result, local governments see the management of local budgets more as a duty of spending rather than an opportunity to generate revenue and invest it in urban development (Civil Servants from the Ministry of National Economy, personal communication, June 2016). Almost all regions allocate the highest portion of spending to education and health, but in Astana, the distribution of spending is biased towards capital investment in development of urban infrastructure (see Figure 1.12).

The budget system allows local governments to borrow from a higher level of government if local budgets run a deficit (Budget Code, 2008, Articles 209-212). The regional governments and the Astana and Almaty city governments may request loans from the national budget via the Ministry of Finance. In addition, sub-regional governments (e.g., Shymkent and Aktobe cities) can borrow from the regional budget to

cover a budget deficit. In the event of a revenue surplus, which may arise when locally collected revenue overlaps with locally planned expenses, the national government withdraws part of the revenue from regions experiencing high income. They only leave the amounts required for delivering the assigned public services. Conversely, when revenue is not enough to cover the planned expenditure, regions experiencing a deficit will receive additional grants (subventions) (see Figure 1.13). These types of withdrawals and subventions are called *general transfers* (Article 45). In addition to *general transfers*, the national government sends *targeted transfers* to fund regional and local developments, such as *national projects*.<sup>2</sup>

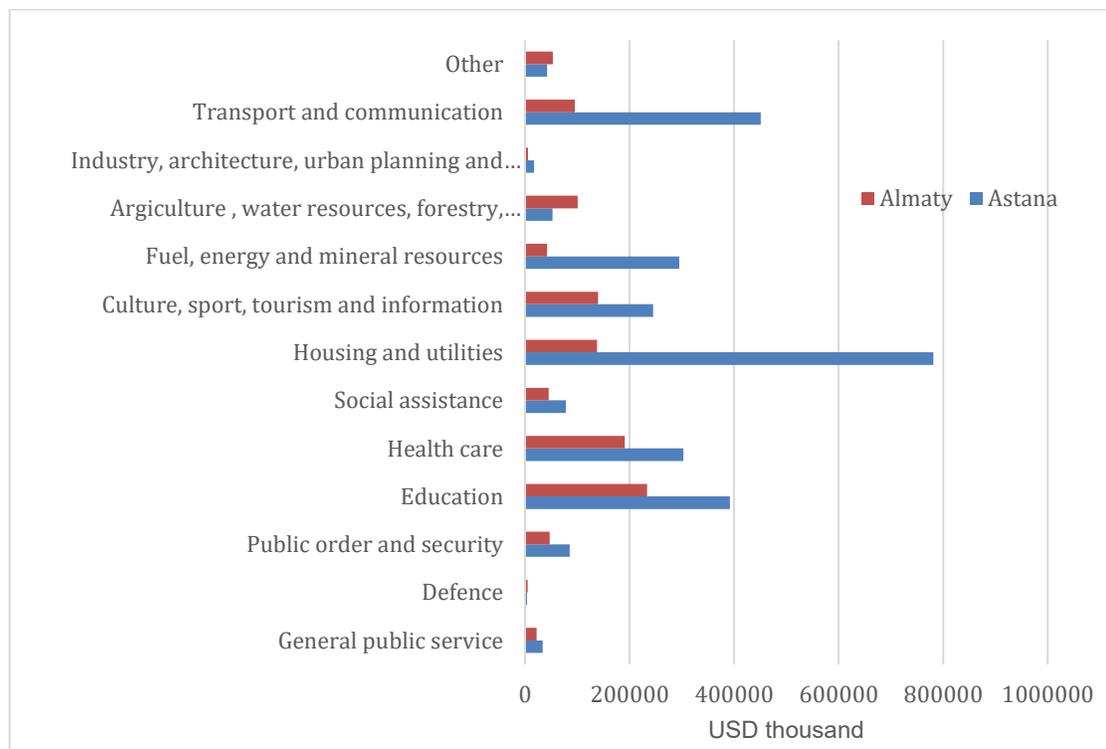


Figure 1.12 The Budget Expenditures of Almaty and Astana Cities (2016). Data retrieved January 10, 2017 from the official website of the Ministry of Finance of the Republic of Kazakhstan: <http://www.minfin.gov.kz>

<sup>2</sup> By *national project*, I mean ASIADA-2011, UNIVERSIADA-2017 and EXPO-2017. These were assigned a special status by the national government of Kazakhstan and became a part of the national projects list (National projects, 2017).

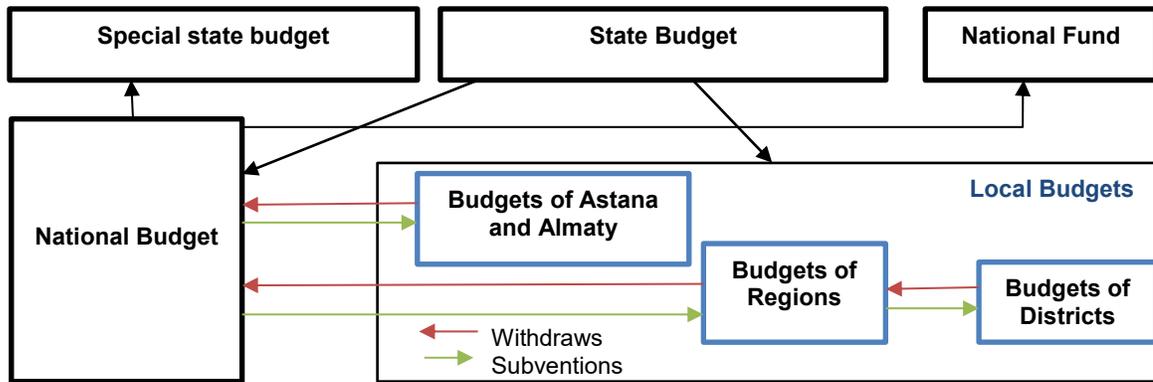


Figure 1.13 The State Budget System of Kazakhstan. Adapted from *Improvement of Financial and Economic Model of Local Budget in the Akmola Region* (p. 48), by K.I. Mizamova, 2010, Astana: Kazakh University of Economy. Copyright 2010 by Korlan Mizamova. Reprinted with permission.

#### 1.4 Theoretical background and research approach

There are currently many discussions among international development scholars regarding the overall dependence of the local governments of Kazakhstan on the central level government (Bhuiyan & Amagoh, 2011; Knox, 2008; Norris, Martinez-Vazquez & Norregaard, 2000). Some scholars claim that there is a lack of democracy at the local levels. The top-down control over local decisions remains a crucial part of the unitary state's public administration (Cummings and Nørgaard, 2004). In contrast, some national scholars who examined the cases of different regions of Kazakhstan argue that some local governments can be more influential and powerful than they might first appear (Aidapkelov, 2010; Asanov, 2006; Emrich-Bakenova, 2009; Sharipbaev, 2002). At the same time, scholars studying local governments still focus mainly on formal top-down public administration reforms of the country as a whole (Bhuiyan, 2010; Darkhambaeva, 2010; Omarov, 2006) while actual local practical activities of city and regional

governments of Kazakhstan are not properly discussed (Ibraeva & Nezhina, 2013; Johannes, 2014).

Decentralization is a process with many dimensions that may have different impacts on the quality of local governance ((Litvack, Ahmad, & Bird, 1998; Schneider, 2006). Kazakhstani decentralization is interesting to study as the role of the local government can be assessed through three separate dimensions: administrative, fiscal, and political. In the case of Kazakhstan, with its on-going process of decentralization, it is important not to aggregate the three dimensions. There would be a risk of drawing incorrect conclusions about the impact of decentralization on local development (Ebel & Yilmaz, 2002; Jones Luong, 2004). In addition to formal mandates, any specific area of urban management requires a complex set of related regulatory reforms allowing local governments to accomplish delegated duties that cannot be overlooked (Banovetz, 2004; Miller, 2013). Despite the assumed uniformity of decentralization, detailed attention to each decentralization reform that has been carried out can help determine specific sets of causes and effects that would not be easily found in a traditional aggregated approach. Therefore, in the case of Kazakhstan, there is a need for place-based decentralization studies that can help clarify if any of the implemented decentralization reforms could affect significant local government practices by making them more efficient.

Due to the complexity and irregular distribution of political reforms at different levels of local government, this dissertation presents three research essays, each looking at a specific vector of decentralization reform and a specific local government function related to physical urban development and distribution of public investment. The main objective of this dissertation is to understand the role of local government in economic

development by looking at the daily practical experiences of city and regional governments. The choice to focus on policy functions such as urban planning, public investment in *national projects*, and management of urban transport is because of their on-going decentralization to local governments in Kazakhstan, and the assumption that these services are locally grounded and local governments are better experienced than the central government in their local delivery (Blakely & Leigh, 2013).

The main research question of this thesis is: How does decentralization impact the role of local governments in economic development in Kazakhstan? The first essay (Chapter 2) examines administrative decentralization and studies how Almaty's city and Almaty regional governments could use delegated urban planning for the management of urban development. The second essay (Chapter 3) attempts to challenge the fiscal system by exploring how Almaty and Astana governments could use the national transfers provided for the implementation of *national projects* to benefit cities. The third essay (Chapter 4) focuses on political decentralization reforms and attempts to answer questions regarding how capable elected representatives from Almaty, Astana, Shymkent and Aktobe city governments are in managing urban transport based on public needs. The overall theoretical framework is based on decentralization studies, but each study also employs additional theoretical and practical findings from the literature on local economic development, urban policies, urban planning (Chapter 2), megaprojects (Chapter 3), and democratic government (Chapter 4).

All three studies are based on the findings from the qualitative assessments of data that is produced locally and publicly available. In addition, information from confidential interviews was also integrated. In the first study, local plans are assessed with focus on

the planning and implementation processes. The second essay examines the costs and benefits of *national projects* by using data collected not only from official reports, but also from confidential interviews with main decision makers involved in the implementation of *national projects*. The third essay aims to assess the behaviour of locally elected *Deputies* and civil servants based on findings from confidential interviews and analysis of media publications. The list of primary resources used for the development of the essays is provided in Table 1.2. There were 80 interviewees in total, and the interviews were conducted between June 2014 and May 2017 (Table 1.3).

Table 1.2

*List of primary resources, by Chapter*

Chapter 2	Chapter 3	Chapter 4
<ul style="list-style-type: none"> <li>• Territorial development programs (cover 3 years);</li> <li>• Genplans (cover 5 years).</li> </ul>	<ul style="list-style-type: none"> <li>• Financial statistic;</li> <li>• Materials available on the implementation of <i>national projects</i></li> </ul>	<ul style="list-style-type: none"> <li>• Minutes of <i>Akimat</i> and <i>Maslikhat</i> meetings;</li> <li>• Media publications.</li> </ul>

Table 1.3

*List of interviewees*

	Profession	Rank	Age	Number of people
1	Civil servants	Heads of Departments of Ministries and State Agencies	35-60	20
2	Civil servants	Heads of Departments of City and Regional Governments ( <i>Akimats</i> )	40-60	20
3	<i>Deputies</i>	Local Level Councils ( <i>Maslikhat</i> )	40-70	10
4	Experts from real estate companies	Managerial Level	35-50	10
5	Consultants hired by local governments	Managerial Level	30-80	10
6	Experts from local NGOs	Managerial Level	30-50	10
	Total			80

## CHAPTER 2: PLANING OF URBAN DEVELOPMENT: THE CASE OF ALMATY CITY AND ALMATY REGION

### 2.1 Introduction

The national government of Kazakhstan attempts to use cities as the boosters of national economic development, but the inability of local government to affect the physical development of cities makes this a particularly difficult task (OECD, 2017). Most cities in Kazakhstan were built during the Soviet Union and were based around a centrally planned economy. For more than half a century, Soviet city governments remained weak institutions, dependent on the centralised machine of the Soviet government, including industrial enterprises supervised directly from Moscow. In the last 20 years, however, city governments of Kazakhstan have started to take on sole responsibility for urban development, but the actual role of local government in terms of urban planning remains an understudied subject. Soviet urban planning attracted the attention of many scholars who found it a very centralized institution (French & Hamilton, 1979; Pallot & Shaw, 1981; White, 1980). Throughout the 1990s, many scholars studied post-Soviet cities with focus on challenges related to their transition from a Soviet legacy toward market economic conditions (Andrusz, Harloe & Szelenyi, 1996; Bertaud & Renaud, 1997; French, 1995). Then, policy scholars' attention worldwide switched to structural institutional reforms and decentralization phenomena (Golubchikov, 2004; Romanyuk, 2006). However, the change in the role of local government in urban planning in the Central Asian post-Soviet countries like Kazakhstan

has never been properly represented in academic discussions (Tutubaev, 2010; Brade, 2017).

The few studies that have attempted to link urban planning and local government are available in Russian, but they are mainly focused on analysis of current gaps in the planning profession (Junussova, 2010; Lola, Menshikowa & Lola, 2011). At the same time, in the case of Kazakhstan, the effect of on-going administrative decentralization reforms on local government cannot be properly understood without careful assessment of local urban planning practice. The purpose of this essay is to contribute to a better understanding of how delegated urban planning was used in actual practice by Almaty city and Almaty regional governments to direct urban development. First, this essay provides a theoretical framework that bridges urbanisation and decentralization by focusing on urban planning and the role of local government in managing urban development. Then it looks at local governments' planning activities: how plan production processes are constrained by pre-established national level regulation and norms, as well as how current public administration, fiscal and land-use management systems impact implementation of locally developed plans. Finally, it will explore the growing conflict between public and private interests; the issue of uncontrolled development of the city and its expansion on regional land due to the limited capacities of Almaty city and Almaty regional governments to mediate and regulate local development.

## 2.2 Administrative decentralization and urban planning

To benefit from urbanisation, some national governments have started to transform administrative structures to enable local governments to be involved in planning and regulation of urban development (United Cities and Local Governments, 2009). At the same time, to make cities effective promoters of the national economy, leading international development institutions suggest that national government must supply local governments with adequate local autonomy, enabling local governments to guide urban development (OECD, 2015a). Urban planning can be one of the key decentralized activities of local governments for engaging public and private actors in socially, environmentally, and economically balanced development (United Nations Economic Commission for Europe [UNECE], 2016). Urban planning can be a strategic tool for the management of urban development provided that physical planning is well-integrated with current economic and budget planning (OECD, 2011). Land-use regulations must be adjusted to allow local governments to establish the right balance between new construction and the preservation of historical buildings and environmentally or culturally sensitive territories having high value for local dwellers (OECD, 2015c). Proper urbanization requires more than the development of plans; there is a need for policy reforms permitting logical integration of physical planning such as land-use planning with transport planning (OECD, 2015b).

In Kazakhstan's case, urban planning remains a back-room production of technical plans by external experts with limited involvement of citizens (Chapter 1). Nevertheless, the national government assigned local governments the responsibility of urban planning, with the assumption that the presence of *genplans* would help city

governments to manage urban development (Musabaev, 2013). The policy space of Kazakhstan is overloaded with regulatory reforms, overproduced programs and plans, but little attention is paid to the quality of policy formulation: "... no systematic reviews or evaluations of programme and policy efficiency and effectiveness, or spending reviews" (OECD, 2014, p.31). Since 2010, the national government of Kazakhstan has started introducing result-based management, but it has not yet helped to improve planning of local development (Dulatbekov & Assylbayeva, 2013). The national government of Kazakhstan assigns 80-90% of implementation of national strategies, programs and plans to the local governments, while public funds for their implementation are not supplied in a timely manner (Expert Kazakhstan, 2015). As a result, these same local governments, whose activities continue to be impacted by nationally established legislative, fiscal and political constraints, are criticized for their inefficient implementation of national and local plans, as well as poor management of local development.

As stated by the OECD (2017) Urban Policy review, the challenges faced by the local governments of Kazakhstan such as low autonomy and lack of locally determined financial revenue do not allow cities and regions to be real drivers of economic growth. City and regional governments, not having any incentive to use urban planning for economic development, are weak actors to exercise such critical duties (Banovetz, 2004; Center for Economic Research [CER], 2013). There is a chance that the current metropolitan bias of regional policy, not supported by adequate decentralization reforms, may lead to the acceleration of the existing economic inequalities between larger cities and their neighbouring regions (Ferre, Ferreira, and Lanjouw, 2010; Nellis, 2014). Given the current lack of place-based studies (Chapter 1) and assessment of policy making in

Kazakhstan, the study of current urban planning practice at the local level of government of Kazakhstan is critical to identify the limitations of the current public administration which are hindering the decision-making efficiency of the local governments.

**Research approach.** To make urban planning fit with local needs, scholars suggest a switch in the analytical focus from the plans themselves, to the quality of the planning processes (Chadwick, 2013). Therefore, this study's findings are based on the qualitative program evaluation approach that emphasizes the importance of looking at "program processes, implementation issues, and qualitative data" (Patton, 2002, p.149). The objectives used to examine the plans' production and implementation were developed in line with the main research question: how does administratively decentralized urban planning impact local economic development? Arguably, decentralization of urban planning reduces the direct influence of the national government on local government decisions regarding territorial development. Although formal responsibilities remain local, the national government may keep its leading position as the rule maker (OECD, 2011). Therefore, the first objective of assessment is to identify if local governments can produce local plans based on local needs as well as to show exactly how nationally established normative and legislative frameworks shape local government activities. It is also important to pay attention to how local governments adjust to the centrally constrained conditions. Reduced managerial and fiscal capacities to implement assigned responsibilities by formal establishments arguably induces alternative use of local plans (OECD, 2015c). Therefore, the second objective is to find weak points in the attempts of local governments to keep a proper balance between national directions, private actors' interests and local community demands, as well as to

identify alternative uses of locally available plans by local governments and their impact on urban development.

With a focus on the quality of planning practices, this study is based on the results of confidential interviews with current and former<sup>3</sup> decision makers representing: the national (twenty interviewees) and local government (thirty interviewees); real estate developers (ten interviewees); urban design companies (ten interviewees); and non-commercial sectors (ten interviewees). The actors were selected based on their level of involvement in the process of production and implementation of fourteen *genplans* (see Table 2.1). The plan production and implementation was assessed based on two key evaluation criteria: “relevance” and “sustainability” (OECD, 2009). The relevance criteria are used to assess whether local governments produce local plans to fulfill local social, environmental and economic development needs, and balance interests and demands of national and local actors such as citizens and private enterprises. The sustainability criteria are used to assess the implementation of plans with attention to whether local governments have access to locally available financial and managerial resources for the implementation of the produced local plans after the national financial or technical support related to plan production is over. The same sustainability criteria are also important for understanding the current alternative uses of planning and their impact on local development.

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<sup>3</sup> Many of the civil servants that had managerial positions retired in 2014 and 2015, after the introduction of the Civil Service Act (2015).

Table 2.1

*List of the studied local plans*

No.	Name of the plan / year of introduction	Developer
1	<i>Genplan of Almaty city / 2002</i>	The special institution subordinated to the Almaty city <i>Akimat</i> – Almaty <i>genplan</i> afterwards renamed the Centre for Urban Planning Projects
2	<i>Genplan of Almaty city / 2016</i>	Local design company - Almatygioprogor-1 LLC
3	<i>Genplan of the Suburban Area of Almaty City Development / 2010</i>	Local design company - Urbanstyle LLC
4	<i>Genplan of Taldykorgan / 2006</i>	Local design company - Urbanstyle LLC
5	<i>Genplan of Talgar / 2004</i>	Local design company - CadastrGradProject LLC
6	<i>Genplan of Esik / 2007</i>	Local design company - Urbanstyle LLC
7	<i>Genplan of Zharkent, / 2007</i>	Local design company - Project Company GRADO LLC
8	<i>Genplan of Kapshagay / 2007</i>	Local design company - Urbanstyle LLC
9	<i>Genplan of Kaskelen / 2007</i>	Local design company - Urbanstyle LLC
10	<i>Genplan of Ucharal / 2007</i>	Local design company - Kazgioprograd-1 LLC
11	<i>Genplan of Sarkand / 2008</i>	Local design company - Kazgioprograd-1 LLC
12	<i>Genplan of Ushtobe / 2008</i>	Local design company - Urbanstyle LLC
13	<i>Genplan of Tekeli / 2008</i>	Local design company - Project Company GRADO LLC
14	<i>Genplans of the four new satellite cities "G4 cities" / 2009</i>	International Consultancy KannFinchGroup

### 2.3 Plan production

To promote economic development, local governments are encouraged to be proactive in preparing urban conditions for an optimal residential and business environment (Robson & Deas, 2008). It is assumed that the availability of good urban development plans allows local governments to address local population needs by proposing a long-term sustainable future for the physical development of cities (Chadwick, 2013). In the case of Kazakhstan, urban development must be guided by the officially approved *genplan* that identifies long-term (20-30 years) projection of a city's development (Urban Planning Act, 2001). During the past 20 years, all cities and towns of Kazakhstan were supplied with development *genplans* (MNE, 2016). The national government continues to spend money on producing new *genplans*, but it is not clear if the *genplans* can adequately reflect local community needs. With a focus on Almaty city and Almaty region, the goal of this section is to analyze the production process of *genplans* and practical challenges affecting the quality of local policy formulation in Kazakhstan.

**National guidelines versus local needs.** Formal assignment of urban planning duties does not mean that local governments become ultimate producers of *genplans* in Kazakhstan, given the overall lack of planning capacity in the public sector of Kazakhstan (OECD, 2015). Local governments do not have in-house capacity to develop *genplans*, therefore, they subcontract the production of *genplans* to private companies which have a special license through public procurement procedures (Public Procurement Act, 2015). As international practice shows, subcontracting planning may help enhance the quality of service delivery because private consultants are not as constrained as public

officials, and can reflect local community needs in a professional manner (Grijzen, 2010). The national government also considers the outsourcing of *genplan* production a beneficial move because private companies are qualified to carry out urban planning activities by the *Committee for Construction* (MNE, 2014a). However, external consultants working on the production of *genplans* struggle with the problem of being obliged to follow national *norms* because during the official examination of *genplans* by the *Committee for Construction*, public officials pay great attention to the compliance of *genplans* with nationally established technical *norms* (Civil servants from MNE, personal communication, February 2016). As one of the experts from the *Committee for Construction* stated: “Usually I start the assessment of a *genplan* from looking at the reference list and if I do not see references to the key national standards I send it back without reading” (personal communication, June 2014).

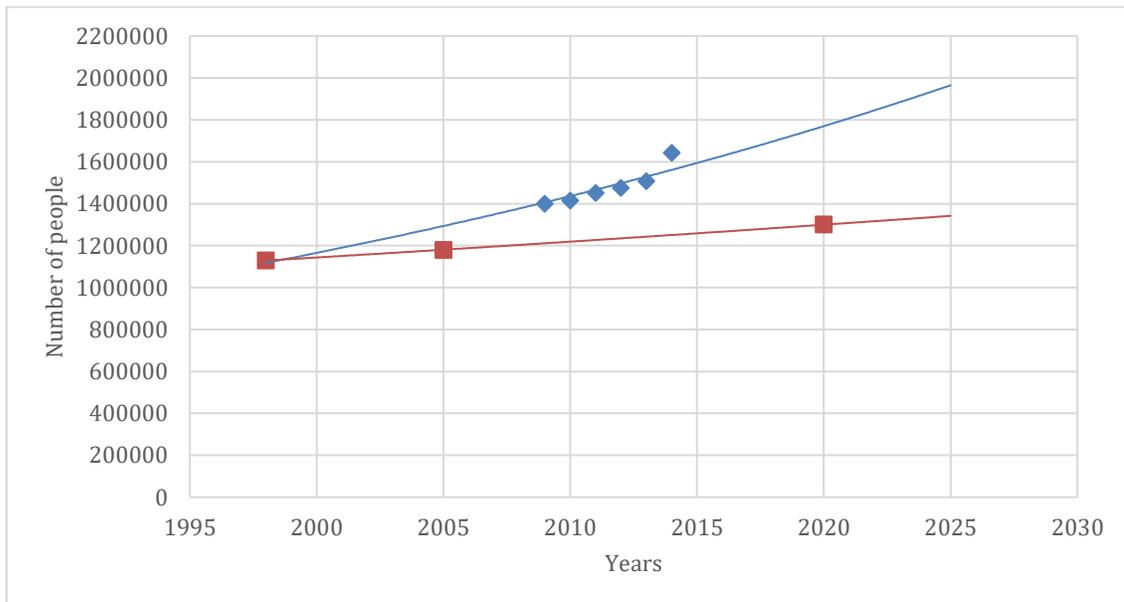
As a result, the current procedure of *genplan* production and plan approval results in *genplans* that are shaped mainly by national norms rather than regionally specific aspects of the development of a locality. Normative restrictions do not permit *Akimats* to increase *genplan* production cost; whereas, the standardized structure of the *design assignments*, developed by *Chief Architects*, is too narrow to include special requests for the contractors to address location-based development challenges. The Chief Architect is responsible for calculating the cost of *genplan* production, assuring that it does not exceed the amount proposed in the special instruction, which is purely dependent on the population size of a region (Urban Planning CNR 3.01-01, 2008). Then, the initially proposed cost of a *genplan*, included in the local budget, is further decreased as a result of public tender because the winner is selected based on the proposal with the lowest

possible cost (Public Procurement Act, 2015). As a result, the money received by planners for *genplan* production is not enough for running location-based field studies, such as archaeological, geological, social, environmental or business surveys (Consultants, personal communication, March 2015). Therefore, in many cases, new urban design solutions are proposed based on old maps of geological and environmental conditions.

Planners attempt to include local context in *genplans* by interviewing *Maslikhats* and *Akimats*, representing main local actors responsible for final review and approval of *genplans* before sending them to the national inspection (Consultants, personal communication, June 2016). However, civil servants of *Akimat*, not keen on urban planning, often refuse to be interviewed because they do not feel confident enough to be part of the planning process (personal communication, June 2014). Whereas *Deputies* prefer to correct the final version of *genplans*, referring to the fact that their responsibilities do not include participation in planning, but solely approval of *genplans* proposed by the *Akimat* (personal communication, June 2014). Both planners and local civil servants agree that current *norms* worked well in the Soviet past, but they are not helpful in considering actual market demands of a distinct locality or the changing needs of citizens. The national *norms* of Kazakhstan have been passing through numerous updates, but in many cases the new versions are simply re-written and slightly upgraded copies of the Soviet standards (Consultants, personal communication, September 2014).

The current practice of *genplan* production creates misleading assumptions that city development can easily be predicted and controlled by “using mathematical models and universal laws” (Golubchikov, 2004, p. 232). The *genplan* proposals are still based

on assumed projections of forecasted numbers of people, calculated on past demographic trends and ignoring the nature of urban economy and migration trends (Van Assche & Djanibekov, 2012). As an example, the number of population of Almaty city in 2009 already exceeded the number forecast in the *genplan* for 2025 (1,300,000 people) by 99,296 people (see Figure 2.1). Conversely, in the case of the Almaty region, the economic potential of Kapshagay (see Figure 2.2) and Taldykorgan (Figure 2.3) was overestimated. By 2014, Kapshagay (located 66 km from Almaty city) reached a population of only 44,573 people, lacking 15,427 people to reach the planned amount of 60,000 people in 2012. In this instance, planners underestimated the economic role of Almaty city that continues to be the most attractive destination for people moving from Almaty region towns, including Taldykorgan and Kapshagay.



*Figure 2.1* Projected versus Actual Population Growth in Almaty City. Actual trends of the population growth are shown in blue (diamonds). Projected trends of the demographic changes are shown in red (squares). Data taken from *Almaty City Genplan* (Gov. RoK Res. 1320, 2002).

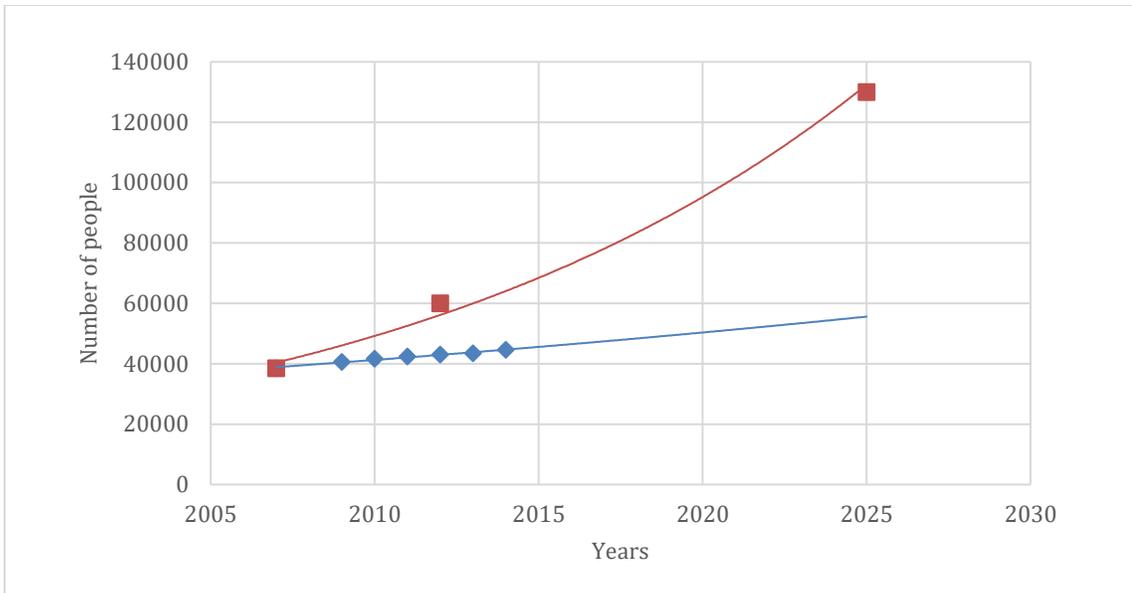


Figure 2.2 Projected versus Actual Population Growth in Kapshagay. Actual trends of the population growth are shown in blue (diamonds). Projected trends of the demographic changes are shown in red (squares). Data taken from *Kapshagay Genplan* (Akimat of Almaty Region, 2014).

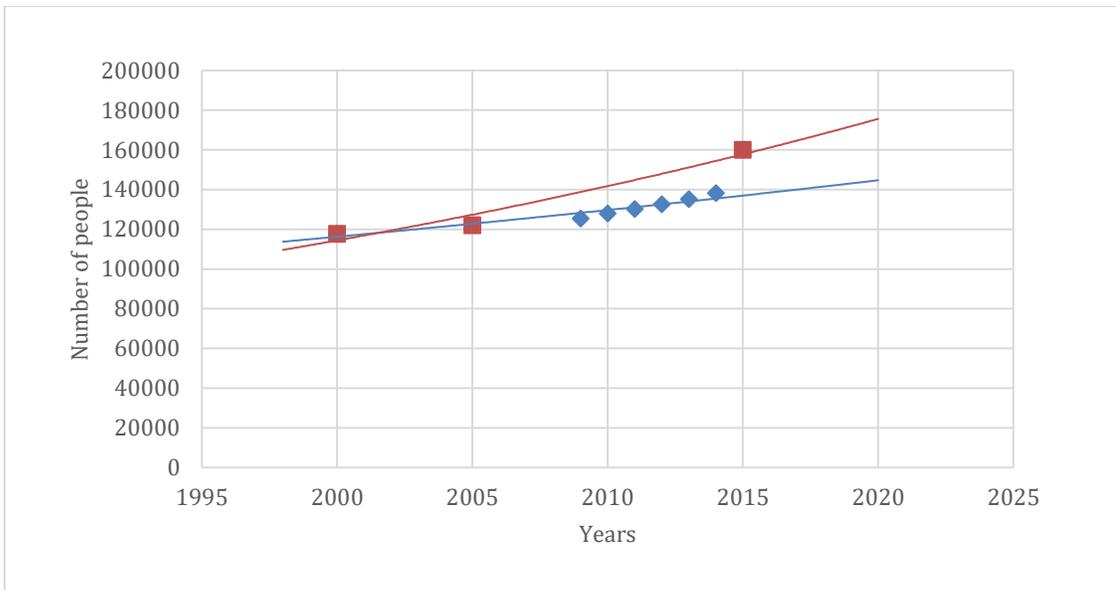


Figure 2.3 Projected versus Actual Population Growth in Taldykorgan. Actual trends of the population growth are shown in blue (diamonds). Projected trends of the demographic changes are shown in red (squares). Data taken from *Taldykorgan Genplan* (Akimat of Almaty Region, 2014).

Lacking any detailed knowledge of the urban economy, planners often fail to predict the feasible amount of future investment in urban development. For example, according to the approved *genplan*, Kapshagay had to attract USD 596.54 million of investment in fixed capital in 2013 (see Figure 2.4). However, by 2014, the real investment in fixed capital in Kapshagay was only 30% of that amount (i.e., USD 182.04 million). Despite this obvious failure of *genplans* in supplying local governments with reliable indicators of local development, the national government continued to invest in the production of *genplans*, while, local governments continue to assume that external planning consultants can foresee urban development, even without careful assessment of the local needs and the possible contributions of main economic actors (Civil servants from Akimats, personal communication, June 2014; February 2015). *Genplans* continue to be produced, neglecting the location-related challenges of a specific city or town (Coulibaly et al., 2012, p.135), but based on national *norms*, thus switching planners' attention from quality of life to the provision of the basic quantities within a certain settlement (Sultangalyeva, 2010).

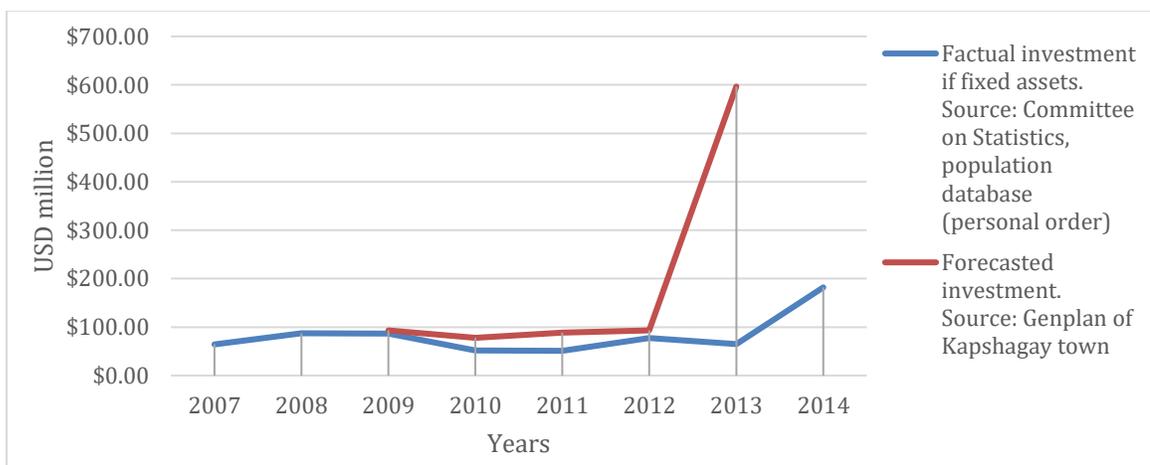


Figure 2.4 Projected versus Actual Investment in Fixed Assets in Kapshagay. Data taken from *Kapshagay Genplan* (Akimat of Almaty Region, 2014) and the SCSK (personal order).

*Norms* exist for planning of cities and towns, but there are still no *norms* or instructions for how to approach physical planning from a regional development perspective. Not surprisingly, planners fail to deal with inter-jurisdictional issues, such as regulation of inter-regional migration (Makhmutova, 2012) and development of suburban transport systems (Bekmagambetov & Smirnova, 2016). The *Almaty 2020 genplan* alone cannot supply the local government with meaningful social, economic and environmental indicators for transport-planners to use for the development of an efficient transport model (Consultants, personal communication, June 2014; March 2015; May 2016). As a result, dwellers of peripheral and sub-urban areas of Almaty city experience transportation problems (e.g., daily traffic congestions) (Kazakova, 2015), as well as worsening environmental conditions (e.g., increased level of air pollution) (see Figure 2.5).

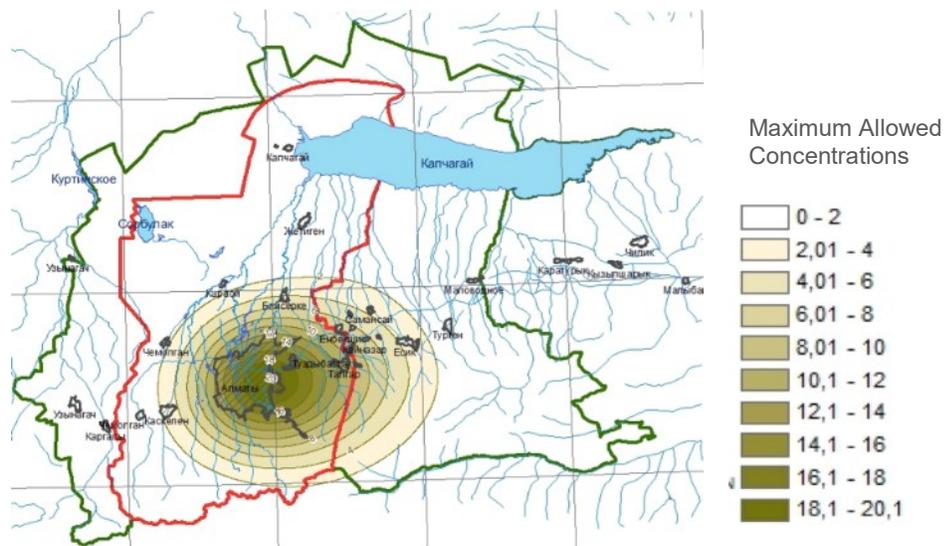


Figure 2.5 Modelled Concentration of the Air Pollution from Private Vehicles in and around Almaty City (2015). Reprinted from *Explanatory note of the Almaty City Genplan 2050* (p. 58), by Design Company Almatyiprogor-1 LLC, 2015, Almaty: Almatyiprogor-1. Copyright 2015 by Almatyiprogor-1. Reprinted with permission.

### **Norms versus environmentally friendly and publicly acceptable development.**

Since 2007, the national government has attempted to improve the quality of urban planning by introducing environmental impact assessments (EIAs) and public hearings as compulsory parts of *genplans* (Environmental Code, 2007). However, the EIA is limited to the evaluation of established development decisions and restricted to measuring and mitigating expected ecological outcomes. In accordance with the Environmental Code, all projects impacting people and/or the environment must go through public hearings that usually occur close to the final approval based on decisions made by the city administration. The post-hoc nature of the EIA and public hearing has not yet helped to improve *genplans*, even with the inclusion of environmental indicators (UNECE, 2008). The pre-assessment of the environmental situation carried out at the early stages of urban design did not have a considerable impact on the final decision regarding urban development. For example, when the Almaty city government assessed the proposed conceptual options for the direction of the city's development, it selected the best variant while ignoring its suggested negative environmental impact on the neighbouring natural territories (Experts from local NGOs, personal communication, June 2014; January 2015; June 2016). None of the EIAs included early proposals of urban development directions which included an alternative environmentally friendly solution (Civil servants from national government, personal communication, February 2015).

The environmental reform was adopted together with new normative constraints, such as specific instructions for EIAs (Minister of Environmental Protection Res. 204, 2007). Yet, environmental *norms* were introduced without proper consideration for the difference between urban planning processes and the production of other engineering and

technical projects (Consultants, personal communication, June 2014; March 2015; May 2016). Therefore, the impact of *genplan* is assessed almost in the same way as any other construction project. The lack of focus on environmental conditions in Almaty city and its neighbouring areas meant that they were more susceptible to natural and man-made disasters and increased business development risks. None of the reviewed city *genplans* contain detailed field investigations of current environmental pollution levels, or geological and hydrological studies (personal study of *genplans*). Significantly, the EIA included a participatory planning component that allowed citizens to share their expectations regarding development. During the recent public hearings for the second *Genplan of Almaty city 2050*, citizens showed their dissatisfaction with the proposed developments based on the national *norms* (personal participation, April 2015). The local community representatives advocated new principles instead that would enable planners to concentrate on the quality of the lived environment.

The participation of public and local governments in planning is looking to be a promising solution, but its post-hoc status has not yet led to any improvement in the quality of *genplan* production. According to the opinion of planners, the local government representatives do not care about the quality of planning during the plan production, and they start to interfere only after they see a ready plan (Consultants, personal communication, June 2014). From a planner's perspective, such last-minute engagement does not lead to qualitative improvement, but instead increases the processes of approval, as well as the cost of planning due to the need for considerable adjustments of a *genplan* close to final delivery (Consultants, personal communication, March 2015). At the same time, low public participation and post-hoc involvement of the local

government continuously forces planners to tackle the adjustment of *genplan* solutions accordingly, almost until the final stage of delivery and approval. Planners encourage the active involvement of local governments during fact-finding missions, to supply the planners with updated information (Consultants, personal communication, December 2015). However, local civil servants from *Akimat* departments remain disinterested in participation, stating that: “the Department of Architecture and Urban Planning is responsible for the *genplan* production, we do not understand what these planners want from us” (personal communication, June 2014).

The local authorities are responsible for the public availability of city development plans such as *genplans*, but they fail to update and make the information on city development accessible for public in good time. Local governments post images of the main *genplan* schemes on their official websites, but these images are too small and of poor quality to be understood by online visitors (Akimat of the Almaty Region, 2017). In 2006, Almaty city *Akimat* had created a special web application to make some of the *genplan*'s solutions available via an open online platform, illustrating main functional zones, networks of engineering infrastructure and sites planned for construction of new buildings (Akimat of Almaty City, 2015). However, this platform has not been adequately updated since 2010 and fails to serve its main function of informing citizens about the city development. At the same time, local businesses continue to tackle the problem of how to locate their economic activities (Experts from local NGOs, personal communication, January 2015). Currently, private actors and local governments only interact when there is a need for a building permit (Experts from NGOs, personal communication, June 2014; January 2015; October 2016). On the other hand, experts

criticize the local government for not creating the policy space for engaging private and public actors in planning, stating that their participation could turn *genplans* into economically stronger strategies.

## **2.4 From planning to implementation**

Planning urban development is not an exclusive prerogative of the local government. In market economy conditions, private actors and individuals carry out most of the developments and their needs must be considered (Bennett, 1994). The role of the local government is changing towards being a mediator, balancing interests of public and private agents, such as investors and the local community (Oliveira & Pinho, 2010; Ryser & Franchini, 2015). On the one hand, local governments must create local conditions for private investment, on the other hand, they need to protect citizens from negative social, environmental and other impacts of new development (Freire & Stren, 2001). Therefore, planning of urban development cannot be limited to the production of national regulations and *genplans*. In addition to established norms, it is important to create local conditions for applying proposed standards and rules of development to protect local communities from faulty construction practices. This section aims to analyze the process of *genplan* implementation with a focus on the use of urban planning by local governments to guide urban development.

**Regulatory power of *genplan* and expert community.** Inherited from the Soviet past, *genplans* have never served as strong legal documents because they were developed based on the misleading belief that government can exercise full control over local development and there is no need to be aware of the private actors (French, 1995;

Golubchikov, 2004). Legally, urban development in Kazakhstan must be regulated based on the recently approved *genplans*, but lacking legal power, such *genplans* have not yet become powerful enough tools to control urban development (Civil servants of local and national government, February & June 2016). The Urban Planning Act (2001) introduced the concept of *legal zoning* to allow implementation of the *genplan* through enforcement of the locally developed rules (further *local rules*). The local government is responsible for the development of the *local rules* produced by *Akimat* and approved by *Maslikhat* (Articles 1 & 22). Almaty regional government has only just started to work on the development of local rules, whereas, Almaty city has several local rules: *Rules on Construction, Maintenance of the Municipal Property (roads and communal system); Rules on Development and Protection of Greening (trees and other plantations) within the City Limits; Rules on Maintenance of Housing and related Communal Infrastructure; and Rules on Historical, Cultural Monuments and Natural Reserves*. However, in many cases, the national legislation such as the Constitution of RoK (1995), Civil Code (1994) and Land Code (2004) supersede the power of local rules, not allowing local government to regulate local development (Tutubaev, 2010).

Constrained by the weakness of the local rules and under pressure by the expert community, Almaty city and Almaty region *Akimats* had to create the *Urban Councils*. Different institutions involved in city development delegate members to the *Urban Council*. *Akimats*, along with *Maslikhats*, accept them after internal assessment of the candidates. The *Urban Council's* professional meetings take place as needed. If there is a plan to build new large-scale developments (hotels, multi-story housing complexes, entertainment centres, etc.), these projects need to pass through professional public

examination. *Urban Councils* critically review large urban development projects on their social, economic and environmental feasibility and alignment to the approved *genplans*. Several public hearings were initiated by the *Urban Council* of Almaty city around *Almaty city genplans* and proposed new developments, but not all meetings were publicly effective (Experts from NGOs, personal communication, June, 2014). Often, the public felt uncomfortable participating in the professionally arranged discussions of the *Urban Council* of Almaty city because they could not read comprehensive maps or understand terms used during project presentations. Experts from NGOs do not believe that *Urban Councils* or locally developed rules will help exercise real control over development if local governments do not have workable managerial tools to implement urban projects in a participatory way (personal communication, February 2015).

**Planning without the budget for implementation.** Legally, *genplans* must be used as the main resource for investment in the development of public infrastructure (Urban Planning Act, 2001), but local governments of Kazakhstan experience considerable difficulties when it comes to implementation of the planned public projects. The development of public infrastructure is one of the main conditions for improving the investment and business environment in Kazakhstan (Ernst & Young, 2012). According to the *Akimats*, one of the main purposes of the *genplan* is to propose guidelines on how to supply the city with adequate public infrastructure such as public roads and communal service networks (personal communication, May 2014; February 2015; July 2016). However, local authorities cannot start implementing planned public projects immediately after the official approval of *genplans* due to the absence of logical linkages between physical planning and budgeting of urban development. National legislation and

*norms* mainly cover the design and approval process of urban planning without linking them to further implementation (Instruction on the Development, Coordination, Approval CNR 3.01-00, 2011). In practice, the local government can plan public infrastructure improvement, but it lacks the budget for timely implementation of public projects.

The lack of financial autonomy decreases the ability of local governments to be proactive and prepare public facilities to attract investors (ADB, 2012b). The local budget is assigned to produce a *genplan*, but no specially allocated financial resources are available for its implementation (Civil servants from Almaty city and Almaty region Akimats, May 2014). In the absence of a special development budget such as capital budget, local governments became dependent on special purpose transfers from the national government (Chapter 1). Usually, public infrastructure is constructed by financial provisions framed under special purpose transfers (Budget Code, 2012, Article 46). However, these transfers are not provided in the same volume and staging as was suggested in the approved *genplan* (Civil servants from Almaty city and Almaty region Akimats, February 2015; July 2016). As a result, local governments fail to supply public infrastructure in advance, but start to build it only after new developments appear (Experts from NGOs, personal communication, January 2015; May 2016). Most of the residential complexes in Almaty city appeared prior to the development of public transport and communal infrastructure, or public facilities such as schools and hospitals (Consultants, personal communication, December 2015). Unable to reserve public finances for public projects, local governments can only react to on-going changes (Alibaeva, 2010).

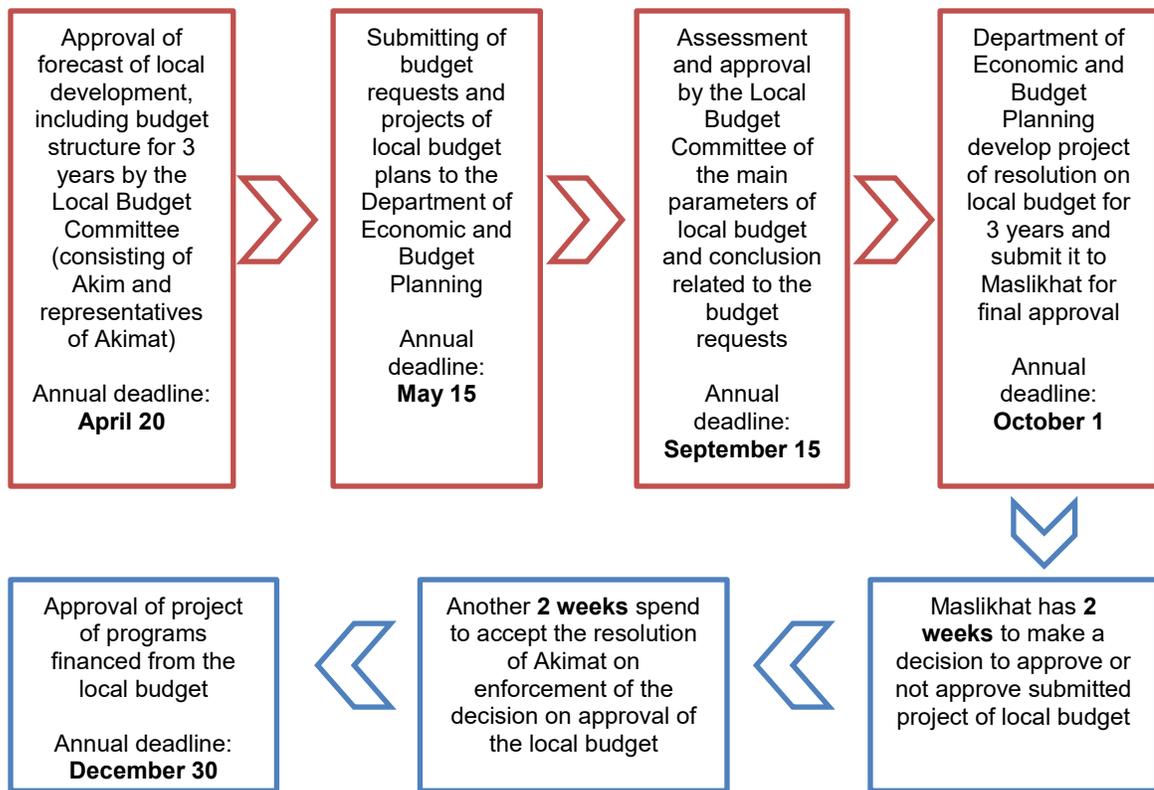


Figure 2.6 The Local Level Budgeting Process: From Development until Official Approval and Permission of Execution. Developed by author based on the Budget Code (2008).

Constrained by national legislation, local governments cannot change the assigned sector-specific distribution of public expenditures. The national government punishes local authorities if they spend money outside of the permitted allocation (Mizamova, 2010). Local governments can apply for a special national transfer for investing in public infrastructure, but the process of applying for and receiving transfers is lengthy and complicated. The time between the application for finances to execute public projects and their provision is approximately nine months (see Figure 2.6). The time period is long enough to lose access to local resources, such as public land reserved by *genplan* for developing public facilities (Civil servants of Akimats, personal communication, March 2015). For example, the construction of the Almaty city bypass road named *BAKAD* proposed in the *Almaty genplan 2020* took more than 10 years (Civil servants from the

MNE, February 2016). By the time the Almaty city *Akimat* received the funds for road construction, land formerly reserved by *genplan* for *BAKAD* had been purchased by the private sector. *Akimats* could not afford to buy the city land back because private actors charged high costs exceeding the market price (Akimat of Almaty City, 2016b). As a result, the original route of the public road *BAKAD* has been continuously adjusted.

**Planning detached from land-use management.** In addition to poor access to finances for investing in urban development, local governments cannot control management of urban land. *Akimats* are responsible for rational use of land, land permits, and the provision of land for different uses (Land Code, 2003, Article 16). In practice, land-use allocation is not under the *Akimats'* full power; the territorial branches of the *Committee for Land Management (CLM)* under the Ministry of Agriculture are responsible for land plot allocation, as well as creation and management of the highly-centralized system of *land-use cadaster* (Gov. RoK Res. 958, 2003). The duplication of tasks by the local government and representatives of the national government is a big challenge for land-use management. According to real estate developers' opinion, due to the dual nature of land-use management, there are many land manipulation and corruption<sup>4</sup> scandals in Kazakhstan (personal communication, June 2014; May 2015; July 2016). According to the Land Code, allocation of land plots for development must follow proposals indicated in the official *genplan* (Article 44.1). However, urban planning companies complain that land use departments often provide land parcels for private

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<sup>4</sup> Corruption is defined as the illegal use of the official public position and related opportunities for the purpose of obtaining or extracting personal property (non-property) benefits (including bribing) for themselves or third parties, by persons holding a public office, by persons authorized to perform public functions, by persons equated to persons authorized to perform public functions directly or through intermediaries (Combating of Corrupt Activities Act, 2015, Article 1).

purposes without referring to the land uses suggested in the approved *genplan* (Consultants, personal communication, June 2014).

*Akimats* cannot fully exercise control over land allocation to make land-use an integral part of urban planning. Recently, the national government has started to introduce an *urban cadaster* with the purpose of regulating the functional use of certain land plots and buildings (Gov. RoK Res. 2082, 2009). It is assumed that such zoning would help separate potentially incompatible land uses and carry out future land use goals established in the approved local plan (Horak, 2007, p. 213). The monopoly for the implementation of the *urban cadaster* was allocated to the State Republican Enterprise “GosGradCadastr” created by the national government. However, GosGradCadastr has not yet received adequate financial resources to create urban cadaster systems at the local level (personal communication, June 2016). This has resulted in the cities have not been supplied with the *urban cadaster* systems yet.

Local governments are responsible for creating, operating and regularly updating the *duty plans* (MNE, 2015). The duty plans represent a part of the *urban cadaster* that is used for monitoring urban physical development. The national legislation does not restrict city *Akimats* to use GIS for creation of *duty plans* only, but allows the city authorities to work with manually corrected duty plans that may exist on paper only. *Duty plans* include information about properties and engineering infrastructure, but not land-use zoning (Creation and Management of the State Urban Registry CNR 1.05-03, 2011). Therefore, the presence of *duty plans* does not help the local government control urban development. In the absence of proper integration of urban planning with land use, the

quality of life in Almaty city as well as its neighbouring rural areas of the Almaty region is constantly decreasing (Experts of NGOs, personal communication, February 2016).

Almaty city and its regional neighbourhoods are losing their traditional comfort and the locational advantage of being close to natural mountain ranges. In the absence of adequate land use management, most of the new developments in Almaty city were built violating safety regulations: located close to the riverbeds, not protected from possible natural hazards (e.g., flooding and earthquakes) (CER, 2013). The intensive development of multi-story residential estates in Almaty city blocked visual access and fresh airflow from the mountains (United Nations Development Programme [UNDP]/ Global Environmental Fund [GEF], 2013). Almaty city still takes first place among all regions of Kazakhstan in terms of its attractiveness for investors and investment potential (Expert Kazakhstan, 2015, p.11). However, living in Almaty city has begun to be associated with high expenses and bad ecology (Shedenova & Beimisheva, 2013). The former city-dwellers and newcomers of Almaty city now prefer settling in the cheaper rural neighbourhoods of the Almaty region. The areas of the Almaty region surrounding Almaty city are experiencing a migration and construction boom (see Figure 2.7 and Figure 2.8). New construction includes unauthorized buildings<sup>5</sup> appearing on the territories not supplied with public services and communal infrastructure such as roads as

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<sup>5</sup> According to Article 244 of the Civic Code (1994), unauthorized construction is defined as a house, building, structure, or immovable property constructed or built while violating legislation of the Republic of Kazakhstan. According to the Land Code (2003), a building is unauthorized if: (i) it was built on land owned by the state (agricultural land); (ii) it was built on land that does not belong to the owners of the house and constructed without obtaining official permission of the land plot's owner; (iii) it was built on land which cannot be used for the purpose of residential use (agricultural and industrial land, environmentally protected areas such as river beds and etc.); or (iv) it was built without permission from the local executive bodies responsible for allocation of land plots and provision of permission for construction.

well as unsafe territories forbidden for construction. Both city and regional governments fail to manage this urban sprawl.

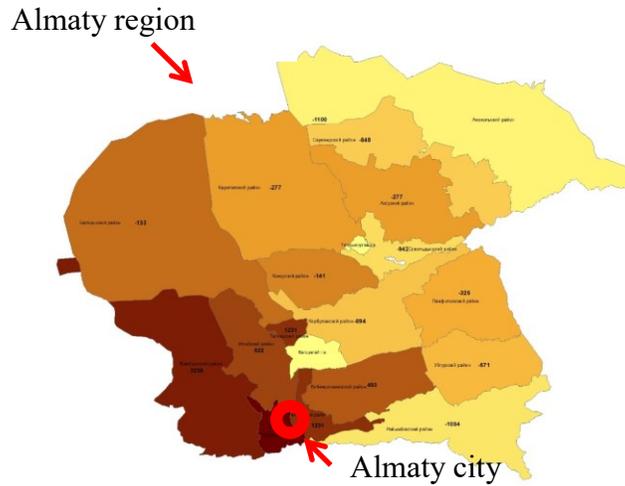


Figure 2.7 Net Migration of the Almaty Region by Districts (2013). The darker color means higher concentration. Developed by the author based on the data from the *Social and Economic Passport of Almaty Region*, by Akimat of Almaty region, 2015, Taldykorgan: Akimat of Almaty region.

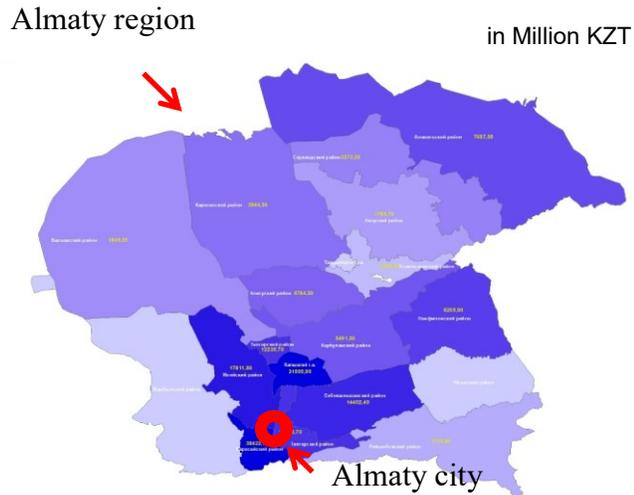


Figure 2.8 The Volume of Construction Work of the Almaty region by Districts (2013). The darker color means higher concentration. Developed by the author based on the data from the *Social and Economic Passport of Almaty Region*, by Akimat of Almaty region, 2015, Taldykorgan: Akimat of Almaty region.

**Alternative use of planning: city versus region.** As international practice shows, for fulfilling assigned responsibilities under the conditions of limited autonomy over local resources, local governments invent their own practices of using partially delegated powers (OECD, 2015c). The main danger of the adjusted use of planning is that it may have an adverse impact on sustainable urban and regional economic growth in the long run (pp. 120-125). With Almaty city, the absorption of neighbouring regional territory became an alternative way to cope with the need for public infrastructure development, budget and land scarcity. Almaty city government attempts to get more urban land by extension of city borders because regional agricultural land can be turned into new municipal land for construction of public facilities or for private sale. Private actors cannot own agricultural land because it belongs to the state, whereas, farmers can rent agricultural land specifically for agricultural purposes, for up to 40 years (Land Code, 2003). Despite of the formal constraints, the practice of changing the use of land from agricultural to housing or other purposes became a popular practice. It especially takes place in the vicinity of the large cities (Experts from local NGOs, personal communication, May 2014; January 2015; June 2016).

Since 1998, Almaty city increased its territory by acquiring 39,794 hectares of Almaty region (see Figure 2.9). Each time additional land was obtained, it was rationalized by the need for running new urban projects justified in the updated version of *Almaty genplan*. The territories included in the city in 1998 incorporated not only agricultural land but also enterprises and 28 Almaty region villages (President of Kazakhstan, 1998). However, the extension of city borders did not help the city government implement the public projects such as *BAKAD* bypass road construction as

planned. Due to the absence of adequate access to land-use management and local regulative power, city authorities failed to control development in the newly added territories. A mixture of legal and illegal housing appeared on these new city territories within a few years (1998-2005) (Experts from local NGOs, personal communication, June 2014; January 2015; June 2016). Despite of these negative outcomes, Almaty city government continued to request further extension of city border. Only two years after its official enforcement, in 2004 the *Almaty genplan 2020* was updated to propose the city territorial extension (Gov. RoK Res. 452, 2004). Interested in the implementation of *national projects* (see Chapter 3) in Almaty, city government adjusted the new version of the *genplan* by requesting another extension of the city borders in 2012 and 2014 (see Figure 2.9) (Presidential Executive Order No. 385, 2012; No. 798, 2014).

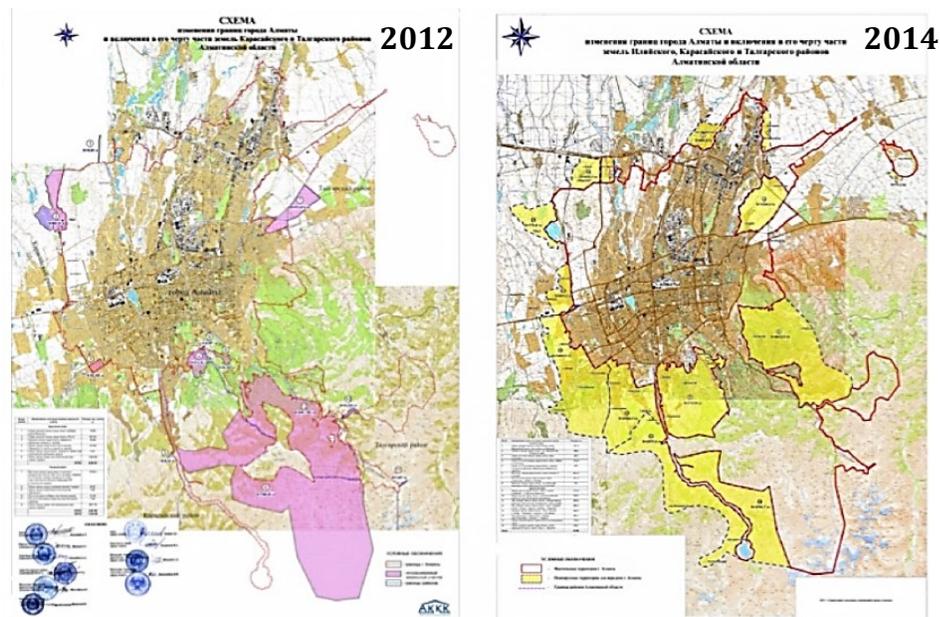


Figure 2.9 Regional Land Added to the Territory of Almaty City in 2012 (purple) and in 2014 (yellow). Reprinted from *Explanatory Note of the Almaty City Genplan 2050* (p. 110-115), by Design Company Almatygiptogor-1 LLC, 2015, Almaty: Almatygiptogor-1. Copyright 2015 by Almatygiptogor-1. Reprinted with permission.

The attempts made by Almaty city government to solve current challenges by extension of city borders led to negative outcomes such as presence of former rural territories that need to be upgraded to satisfy the demands of urban life. The city's expansion in 2014 supplied Almaty city government with new development challenges such as provision of public services to extended areas in the city. Most of the newly added settlements are located at a considerable distance from energy sources and this increased the cost of construction to link former regional settlements to the city. For example, Akzhar village is located 8-10 km from the city. After the inclusion of new territories, the city budget received KZT 3.3 billion (USD 21 million) from the national government to develop engineering and social infrastructures in the new territories (Civil servants of the Almaty city Akimat, personal communication, January 2015). However, the transfer did not cover managerial expenses related to a comprehensive adjustment of formerly rural dwellers to new urban conditions. For example, according to new citizens' opinions, it did not include development of public transport routes and other public services that now have to be provided to them by the city government (personal participation in the public reporting of Almaty city Akim, February 2015)

A top-down decision to include regional land in the Almaty city territory was not fully accepted by the local community (Experts of the NGOs, personal communication, May 2014). In 2012, along with agricultural land, Almaty city obtained 9,995.46 hectares of environmentally sensitive protected areas such as National Ile-Alatau Nature Park (Presidential Executive Order No. 385, 2012). New territories were added to Almaty city to develop mountain recreation and sport facilities for the Olympic Games. The local environmental NGO *Green Salvation* (2016) raised awareness about the construction of

the new sport complex in the national park. It claimed that the inclusion of the park in the city would limit its initial functions. Environmentalists were aware that under the pressure of private developers, the Almaty city government would find a new way to change the status of the park to use the environmentally sensitive territory for further city development (see Chapter 3).

Almaty regional government failed to use regional *genplans* not only to protect agricultural land from the city's territorial expansion, but also to gain from proximity to the largest city. The regional governments have been able to initiate and finance regional scale planning only recently with the adoption of the new urban planning system (Presidential Executive Order No. 827, 2009). In the absence of a regional development plan, Almaty regional government tried to accumulate local economic resources by supporting private investment in the development of *genplan* of the four new satellite cities “*G4 cities*”, ordered by Caspian Group JSC to KannFinchGroup in 2009 (Experts from real estate companies, personal communication, June 2014; May 2015; July 2016). The main assumption was that construction of new satellite cities would help decentralize some of the economic activities concentrated in Almaty city and move them towards Almaty region. Later, regional government included *G4 cities* in the body of the *Genplan of the Suburban Area of Almaty City Development 2040* (further *Suburban area genplan*), but it did not help the regional government to preserve regional lands.

Despite its official acceptance both by the Almaty regional government and then by Government of the Republic of Kazakhstan Resolution 1097 (2010), the *Suburban area genplan* could not serve as a locally enforceable legal framework (see Figure 2.10). The *Suburban area genplan* included 17.44 thousand square meters and 215 settlements

located in the five districts of Almaty region (Karasai, Talgar, Ili, Enbekshikazakh and Zhambyl), which had to serve as a buffer zone for mutually beneficial use of local resources by the city and the region (Gov. RoK Res.1097, 2010). However, the *Suburban area genplan* did not help preserve existing administrative limits of the region and protect against the extension of Almaty city borders in 2012 and 2014 (Presidential Executive Order No. 385, 2012; No. 798, 2014). According to local experts, the inadequate implementation of the *Suburban areas' genplan* took place due to a breakdown between planning and practice, weakness of the *local rules* and absence of *urban cadaster* systems (personal communication, June 2015).

The absence of an intergovernmental dialogue between the city and the regional governments and uncontrolled development of Almaty city, creates many difficulties for sustainable economic development of both Almaty city and Almaty region. Almaty regional government is not ready to supply suburban dwellers with adequate access to public services such as drinking water, electricity, heating or suburban transport links (personal participation in the public reporting of Akim of Almaty region, February 2015). Almaty city government alone fails to cope with the growing pressure from city migrants (Civil servants from the Almaty city Akimat, personal communication, July 2016). On the one hand, the city government is interested in population growth because public funding depends on population numbers. On the other hand, using the city's special status, it attempts to restrict the inflow of people into the city, raising the condition that a person can be registered in the city if she/he has at least 15 square meters (per person) of housing in the city (Almaty Maslikhat Res.260, 2014). The bulk of traffic is observed at the main entrances and exits of Almaty city. However, Almaty city government is not

always interested in the integration of regional passenger routes in the city's public transport system. During the public reporting of the Almaty city *Akim*, he explained that the planned relocation of the regional bus stations outside the city would help to protect the city from the regional migrants (personal participation, February 2014, Almaty).

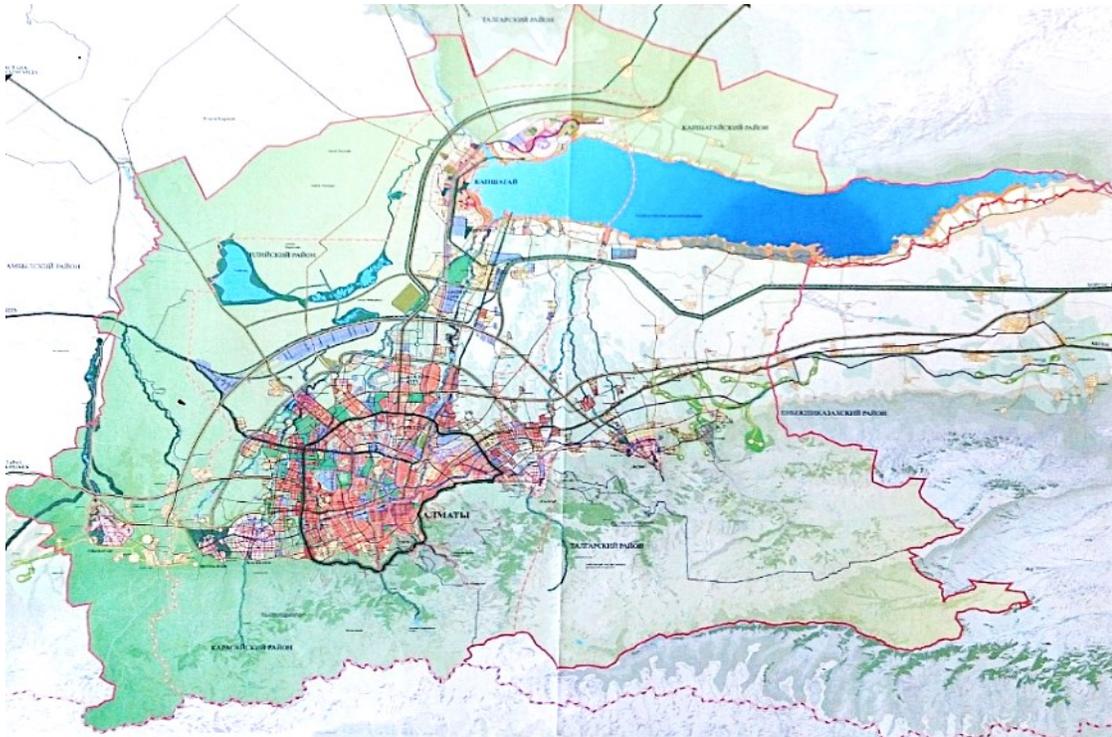


Figure 2.10 Suburban Area of Almaty City Development 2040. Reprinted from *Explanatory Note of the Almaty City Genplan 2050* (p. 98), by Design Company Almatygioprogor-1 LLC, 2015, Almaty: Almatygioprogor-1. Copyright 2015 by Almatygioprogor-1. Reprinted with permission.

Current fiscal and managerial constraints preventing inter-regional cooperation create unequal conditions for Almaty city and Almaty region to benefit from an agglomeration economy. Under the conditions of a partial administrative decentralization, the Almaty city government does not have incentives for the efficient use of the city's land and cooperation with Almaty city government. Almaty city *genplans*, proposing the city to develop over existing borders, continue to be developed and approved without engagement of local communities and authorities of the city's

neighbouring regional districts. Also, there are no nationally established mechanisms to make regionally developed *genplans* stronger regulatory tools to protect Almaty region from the expansion of Almaty city. The new *genplan of Almaty Agglomeration*, recently approved by the national government, would not introduce any order in the development of Almaty city and Almaty region (Gov. RoK Res.302, 2016). Current administrative decentralization reforms failed to produce efficient regulatory urban planning tools to guide local development.

## **2.5 Conclusion**

Current urban planning practice in Kazakhstan does not reflect the needs of local communities or key economic actors. Assessment of Almaty city and Almaty region cases showed that local governments are not able to use the delegated urban planning powers for management of urban development. The prevailing dominance of national *norms* over local development needs does not allow current urban planning practice to guide urban development in the market's economic conditions. Ongoing modernization of the legal system has not yet allowed local governments to approach urban development in an integrated manner by combining physical planning with economic planning, budgeting, land-use management and investment policies. Local governments' practical activities are limited to initiation and collection of poorly produced *genplans*, introduction of legally weak *local rules*, and struggling with the dependence on top-down decisions related to budgeting and land-use regulations. The presence of legal and normative constraints does not save cities from the construction of illegal housing or urban development on the territories sensitive to natural hazards, because local

governments are undersupplied with managerial tools to regulate urban development. The lack of adequate control results in many violations, such as construction without permits that negatively impact the business environment.

The delegation of plan making did not assist local governments in becoming strong actors in balancing public and private interests for long-term sustainable economic development. The Almaty city and Almaty regional governments have not yet succeeded in using approved *genplans* for efficient public investment or guiding private investment in urban development. The lack of transparency regarding *genplans* makes public and private actors bear considerable economic and social costs resulting from uncontrolled urban development. Even locally initiated urban councils could not help local governments establish proper dialogue among planners, developers and the local community. Private actors try to change city development to suit their commercial benefit as well as to gain from the territorial dominance of the cities and the weakness of the regions. By investing in cheaper regional land, private developers contribute to the development of suburban areas, appearing at a considerable distance from the existing public infrastructure and public facilities.

The role of the Almaty city and Almaty regional governments in co-creation of the Almaty urban agglomeration is important. However, the current public administration structure does not permit city governments to engage in intergovernmental cooperation when dealing with urban agglomeration challenges. The delegation of plan production without provision of adequate financial resources and managerial tools inhibited local governments from playing considerable roles in guiding urban development in a proper way. As well, current urban planning limited to *genplans*' production has created

misleading incentives for Almaty city government to develop, all at the expense of the Almaty region. In the absence of equally strong city and regional governments that can plan and control urban development, partial decentralization reforms may only accelerate existing regional inequalities, as well as conflicts of interests between Almaty city and Almaty region. There is a need for enhancing institutional conditions and local governments' capacities for effective urban planning and land-use management in Kazakhstan. The country needs a decentralization strategy not only for assigning additional responsibility, but also for creating more incentives for the city governments to cooperate with local communities, key economic actors and neighbouring regional governments.

## **CHAPTER 3: NATIONAL INVESTMENT IN URBAN DEVELOPMENT: IN THE CASE OF ALMATY AND ASTANA CITIES**

### **3.1 Introduction**

In Kazakhstan, the national government's fiscal decentralization attempts coincided with top-down policies aiming to subsidize urban development in Almaty and Astana. Since 1996, the most significant national government decisions regarding spatial development have been linked to these two cities (Aitzhanova, Katsu, Linn & Yezhov, 2014). The national strategies "Kazakhstan 2030" and "Kazakhstan 2050" emphasize the importance of Astana and Almaty in the economic development of the country (Nazarbayev, 1997; 2012a). A considerable amount of national transfers has been allocated for the construction of the new capital city of Astana (Meuser, 2015). National investment has helped the Almaty city government continue with the construction of an expensive underground transit system. However, national subsidies have not yet had a positive impact on the managerial capacities of city governments to execute control over physical urban development. Astana, like Almaty (Chapter 2) continues to experience a growth of informal construction at the city's periphery, resulting from poor planning, land use management, and air pollution from traffic congestion (OECD, 2017).

Despite poor management of urban development, the national government has started to promote the cities of Astana and Almaty as the best locations for hosting international events. In 2007, the national government announced that Astana and Almaty were selected for the 2011 Asian Olympic Games (ASIADA-2011 hereafter) (Gov. RoK Res.492, 2007). By the end of 2011, the national government stated that Almaty would

host the 2017 Winter Universiade (UNIVERSIADE-2017 hereafter) (Prime Minister RoK Res. 86-r, 2012). In 2012, the President of Kazakhstan declared that the 2017 World International Exhibition (EXPO-2017 hereafter) in Astana would be one of the key *national projects* (Nazarbayev, 2012b). When preparations for these international events were launched, Astana and Almaty experienced the highest volume of investments in fixed assets (see Figure 3.1). *National projects* have brought the cities not only new facilities, but additional managerial loads as well, as city governments became involved in new activities related to the preparation for international events. The key challenge is that, currently, centrally regulated tax collection and budgeting may not allow city governments to be fully engaged in making *national projects* beneficial for local development (see Chapter 1).

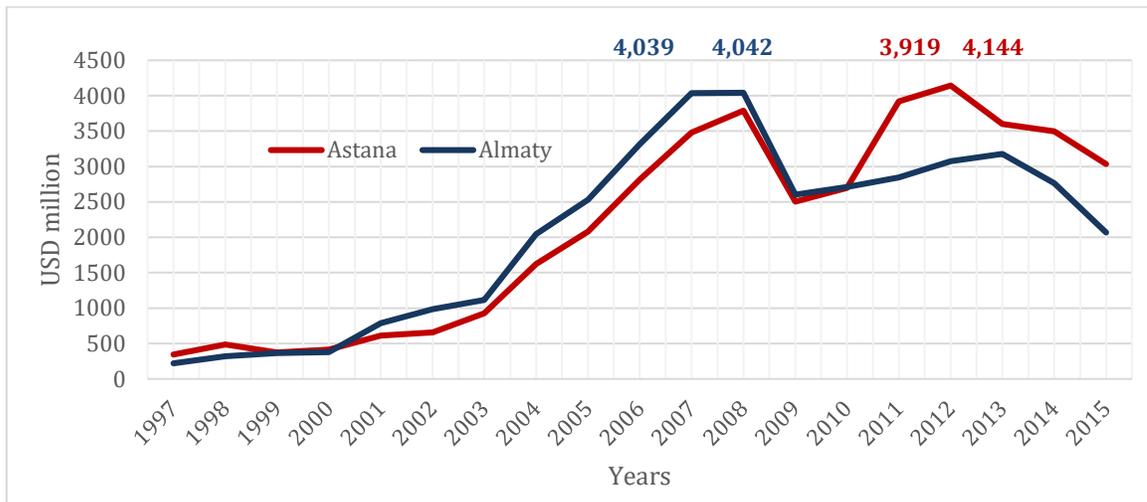


Figure 3.1 Investments in Fixed Assets in Astana and Almaty (1997-2015). Data retrieved May 8, 2016 from the official website of the State Committee on Statistic under the Ministry of National Economy of the Republic of Kazakhstan: <http://www.stat.gov.kz>

Many countries around the world bid to host international events, suggesting that they can help improve cities' competitiveness (Burbank, Andranovich & Heying, 2002)

and serve as a trigger for local economic development (Clark, 2008). However, there are many cases wherein cities would not benefit. For example, city governments are sometimes left to take care of maintenance costs for expensive facilities that have no use following the big events (Golubchikov, 2017). In the case of Kazakhstan, *national projects* are turning into *megaprojects*, as the planning and implementation of these projects involves exclusive governmental arrangements such as allocation of special purpose national transfers and adjustment of national legislation and management practice (Kennedy, 2015). The national investment related to *national projects* has been used by Astana and Almaty governments to finance urban development for the last 15 years. However, so far no one has studied the actual impact of the *national projects* on these cities from the local development perspective.

This essay will contribute to the wider discussion on effective investment of public finances in urban development and challenges related to the implementation of *national projects* in cities constrained by centralised fiscal redistribution. By examining the roles of Astana and Almaty city governments, this essay will identify the roles of city governments in the allocation of *national projects*, as well as the impact on local economic development. The assessment of *national projects* will be carried out based on a program evaluation approach. First, the essay starts with a theoretical discussion, bringing together megaproject related theories and fiscal decentralization challenges of Kazakhstan. Second, it looks at how nationally imposed projects have an impact on physical urban development. Third, it compares the short-term benefits of the projects' implementation with the long-term economic consequences for Almaty and Astana cities under the current fiscal constraints. Finally, it concludes with main findings focusing on

why city governments experienced difficulties when aligning *national projects* with the local development needs.

### **3.2 Megaprojects and financial sustainability of urban development**

Recently, international events (such as the Olympic games), characterized by a rapidly increasing budget, have obtained the status of *megaprojects* (Gold & Gold, 2016). The selected locations for hosting *megaprojects* have started to move from established Western countries toward Central European (Sochi 2014) and fast-transforming Asian countries (Pyeong Chang 2018). Almaty was very close to winning the chance to host the 2022 Winter Olympics, losing by only four votes to the incomparably better developed, and larger city of Beijing (44 vs. 40) (Borden, 2015). The tendency is that many so-called democratically elected city governments are no longer offering their cities as hosting locations under the pressure of local taxpayers, as those taxpayers are not willing to bear the *megaprojects*' relayed costs (Moore, 2015; Preuss, 2016). Alternatively, countries with city governments that have limited decision-making and budgeting power are becoming interested in bidding for the chance to host mega events, driven by their own political objectives (Orttung & Zhemukhov, 2014).

Promoters of *megaprojects* claim that hosting international short-term events helps improve the competitive advantage of cities and advertises a city or even a country to the rest of the world. Clark (2008) argues that global events may add a certain positive value to the physical development of cities. For example, some buildings with exceptional architecture, such as the Sydney Opera House and Sapporo Dome Stadium, originally constructed to host global events (Sydney 2000 Summer Olympic Games and

2002 FIFA World Cup), became iconic parts of the cities, subsequently attracting tourists. Additionally, proponents argue that *megaprojects* will lead to infrastructure development as well as to an increased variety of services offered by the service sector. Subsequently, the tax generated by these new services is expected to increase as well (e.g. the Barbados Cricket World Cup 2007). However, most of the proponents of *megaprojects* state that there are some important preconditions leading to successful outcomes. For example, local governments must take on the key role to adequately align megaproject preparation, hosting, and post-event legacy with local development needs (Vancouver Winter Olympics 2010).

Opponents of *megaprojects* raise a particular concern about the retained value: the post-event management of a city and obtained infrastructure and facilities (Flyvbjerg, 2004). Scholars argue that preparation to host an event without proper involvement of city governments may negatively impact a city's economic future (Altshuler & Luberoff, 2003). They suggest that poor attention is paid to how *megaprojects* affect financial decision-making at the national and local levels of government (Kennedy, 2015), and that *megaprojects*-driven urban development may impact the financial sustainability of cities in a long run (Preuss, 2016). The city governments of Kazakhstan, lacking autonomy in taxing and spending, may not be fully efficient and responsive to local development needs (Shah, 2006). Therefore, there is a danger that even with the suggested benefits, nationally subsidized *megaprojects* may come to Kazakhstani cities with long-lasting development costs.

When looking at the possible short-term benefits of *national projects*, the national government cannot be allowed to ignore the associated fiscal burdens, such as long-term

costs for management of urban development (Boadway & Shah, 2009). Driven by the desire to enhance the global competitiveness of Astana and Almaty in the short run, the national government undermines the improvement of the city governments' capacities that are required for adequate allocation of centrally financed *megaprojects* to benefit cities and city dwellers in a long run. The budgetary system of Kazakhstan was designed to allow a certain degree of fiscal redistribution among regions because it had to serve as a key instrument of poverty reduction in the country (Agrawal, 2008). However, selectively distributing public money to cities wherein the local governments do not have incentives to promote local economic development may not be a sustainable solution. The promotion of *megaprojects* in the two cities may result in the decrease of financial sustainability in a long run. The study of current *megaproject* implementation practice in Almaty and Astana may help national and city governments understand how to turn fiscal decentralization reforms (Chapter 1) in the country towards financial sustainability of urban development.

**Research approach.** Knowing that *national projects* involve considerable public spending, it is important to understand what kind of local benefits are assumed and what kind of costs are related to the implementation of such *megaprojects* (Priemus, Flyvbjerg & van Wee, 2008). However, to improve policy making on the local levels of Kazakhstan, it is even more critical to identify how cities could benefit from implementation of these *national projects*. The objective of the study is not to measure success or failure of the *national projects*, but to understand what roles the national government, and Astana and Almaty city governments play in making *national projects*

beneficial for local development. Due to the scarcity of publicly available data<sup>6</sup> in the case of Kazakhstan, it is impossible to measure *national projects*' related costs and benefits in quantitative terms. However, it is still possible to grasp what determines the national and city governments' decisions regarding implementing a particular *national project*. In this study, most of the attention was directed towards the quality of project implementation and the role of the main implementing actors. I employ a qualitative program evaluation approach to identify local evidence of costs versus benefits, without converting them all to quantitative values (Rogers, Stevens & Boymal, 2009).

The *national projects* are examined based on the adjusted Ziller and Phibbs (2003) proposed qualitative cost–benefit assessment approach. I employ the Ziller and Phibbs cost–benefit matrix tool, allowing mixed assessment of quantitative data about financial expenses with qualitative findings on the impact of national projects. The suggested matrix was adjusted to fit the study's objective by disaggregation of costs and benefits (Rogers, Stevens & Boymal, 2009): the benefits were disaggregated into desired positive outcome and factual benefits, while costs were disaggregated into resources that have been used on national and local governments and non-expected negative outcomes (see Table 3.1). Additionally, the matrix was expanded to show not only short-term, but also longer-term costs and benefits. As a result, costs include initial short-term public spending as well as long-lasting negative outcomes, and benefits include expected and achieved positive outcomes from the short-term and longer-term perspective.

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<sup>6</sup> Not all governmental bodies and agencies publish reports about their activities with open access or disseminate information about current affairs.

Table 3.1.

*An integrated matrix used to assess the national projects*

<b>BENEFITS</b>	<b>Expected positive outcomes by national government</b>	<b>Expected positive outcomes by local government</b>	<b>Achieved positive outcomes</b>
<b>Short-term</b>	<ul style="list-style-type: none"> <li>• World-class facilities;</li> <li>• Development of service sector and new jobs</li> </ul>	Special national transfers for development of urban infrastructure	<ul style="list-style-type: none"> <li>• Temporary jobs in construction;</li> <li>• Contracting local businesses during the construction and hosting of events</li> </ul>
<b>Long-term</b>	Positioning of Astana and Almaty in the global arena	Positioning of Astana and Almaty in the national economy and global arena	<ul style="list-style-type: none"> <li>• Multifunctional facilities open for public use;</li> <li>• Social housing</li> </ul>
<b>COSTS</b>	<b>National resources</b>	<b>Local resources</b>	<b>None-expected negative outcomes</b>
<b>Short-term</b>	<ul style="list-style-type: none"> <li>• About USD 19 billion of national transfers to Astana and Almaty budgets (2005-2016);</li> <li>• Creation of the national company Astana EXPO-2017</li> </ul>	Adjustment of city <i>genplans</i> , land use, and local budgets	<ul style="list-style-type: none"> <li>• Increase of project cost due to the lack of qualified human resources;</li> <li>• Works related to the allocation of the <i>national projects</i> such as the extension of the city borders and land acquisition;</li> <li>• Negative social impact due to forced land acquisition</li> </ul>
<b>Long-term</b>	<ul style="list-style-type: none"> <li>• Adjustment of the national legislation for EXPO-2017;</li> <li>• Additional annual transfers to cover a part of operation and maintenance cost of new facilities</li> </ul>	<ul style="list-style-type: none"> <li>• High operation and maintenance cost of new facilities;</li> <li>• Limited use of new facilities located remotely from main residential districts</li> </ul>	<ul style="list-style-type: none"> <li>• Negative environmental impact due to the transformation of the specially protected natural land into space for new developments;</li> <li>• Damage of the World Heritage property;</li> <li>• Lowering of public trust towards national and city governments</li> </ul>

The *national projects*' evaluation includes Ziller and Phibbs's (2003) suggested consultations with main stakeholders. Through my research, I completed 30 face-to-face confidential interviews with key decision-makers involved in the development and implementation of *national projects* from city *Akimats* of Astana (five interviewees) and Almaty (five interviewees), national government (five interviewees), consulting companies (five interviewees), real estate companies (five interviewees), and NGOs (five interviewees). However, the analysis excludes the suggested need for negotiation between key stakeholders' perspectives. Instead, I focus on the identification of any possible differences in the national and local level stakeholders' perspectives. As the focus is on the effectiveness of city governments and their use of public money for *national projects* to benefit residents, it is important to identify the costs not only for the government, but also for citizens living and working in these cities. However, this study does not include consultation with any affected city residents. Instead, I attempted to grasp the impact of *national projects* on the local community by reviewing published news reflecting the public and expert opinion about the outcome of the hosted events. In addition, I supplemented the data provided by interviewed decision makers and the findings of media review by conducting an additional review of national and local government reports as well as financial statistics.

### **3.3 Costly facilities with exceptional design, lacking local capacities to work for cities**

Some national governments allocate public resources to *megaprojects*, driven mainly by political objectives and expected benefits of these projects while the real efficiency of public investments on the city level are rarely analysed (Kennedy, 2015).

Not surprisingly, implementation of *megaprojects* often comes with considerable expenditure of public money (Altshuler & Luberoﬀ, 2003). In many cases, non-planned expenses appear not only at the implementation stage, but also during and after the event (Flyvbjerg, 2014). Most *megaprojects* are event-based and the project budget covers only immediate expenditures required for the construction of facilities and hosting an event. Maintenance costs for new facilities are not considered. Searle (2002) shows some of the operating losses of Australian sports facilities constructed for 2000 Olympic Games: SuperDome operating losses reached AUD 5 million per year within nine months of opening, and Stadium Australia had AUD 35 million of operating losses during two years of operation, 1998-2000 (p. 852-854). In this section, I assess public resources used for the construction of physical facilities and their post-event use, contrasting them with the expected short-term and long-term benefits. The aim is to understand how the current institutional challenges impact a *national projects*' cost, as well as why some of the suggested benefits of having world-class facilities may not be applicable in some of the Kazakhstani cities that house them.

#### **Hosting one event in two cities and the increased amount of public spending.**

The idea of bidding for a *national project*, such as the ASIADA-2011, first came from the Almaty city government. In 2006, the *Akimat* of Almaty City and the Olympic Council of Asia (OCA) had already signed the Host City Contract in Kuwait for hosting the 2011 Asian Winter Games (Akimat of Almaty City, 2014). The Almaty government assumed that the Olympic Games, in addition to national government support, would give a certain impetus for private investment to construction of the world-class sports

facilities<sup>7</sup>. Ultimately, helping develop the city as a tourist destination (Civil servants of Almaty Akimat, personal communication, March 2016). Since Almaty lost its status as the capital of the country, the city government had to find new opportunities to attract the national government's attention toward the development of urban facilities (Civil servants from national government, personal communication, February 2016). However, the national government did not support the Almaty city government's plans. Driven by the idea of positioning Astana in the global market, the President gave an order to include Astana as Almaty's co-hosting city, making the ASIADA-2011 an exceptional game in Central Asia as the first-ever game simultaneously hosted in two cities (Civil servants from national government, personal communication, May 2016).

Inclusion of Astana as the co-hosting city of the ASIADA-2011 changed the national government's plans, leaving Almaty unable to obtain the desired portion of the public investment (Civil servants from national government, personal communication, May 2016). Before adding Astana as the co-hosting city in 2008, the national government announced that USD 726 million would be allocated for construction of three sports facilities, and renovation of two sports facilities, for hosting of the ASIADA-2011 in Almaty (ZAKON KZ, 2007b). The official total cost of the ASIADA preparation was equal to USD 1.65 billion, USD 1.4 billion of which was spent on construction of six sports facilities, and the renovation of three more (ZAKON KZ, 2011). After Astana was added as the co-hosting city between 2009-2011, the Almaty and Astana city budgets received 10 times more money (USD 7 billion) in national transfers (see Figure 3.2 and

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<sup>7</sup> As the Minister of Tourism and Sport, Mr. D. Dosmukhambetov stated in one of his interviews: "...after the winter Asian Games, the world practice shows that 50% of winter tourists are increasing, so all new sports facilities will be used in the future and will pay for themselves" (Zakon.kz, 2007).

Figure 3.3). Astana city budget increased from USD 485 million (2004) to USD 2.3 billion (2011) (see Figure 3.2) and Almaty’s budget increased from USD 595 million (2004) to USD 2.1 billion (2011) (see Figure 3.3).



Figure 3.2 Astana City Revenue Structure before Bidding (2004), During the Preparation, and Hosting of the ASIADA-2011 (2009-2011). Data retrieved January 10, 2017 from the official website of the Ministry of Finance of the Republic of Kazakhstan: <http://www.minfin.gov.kz>

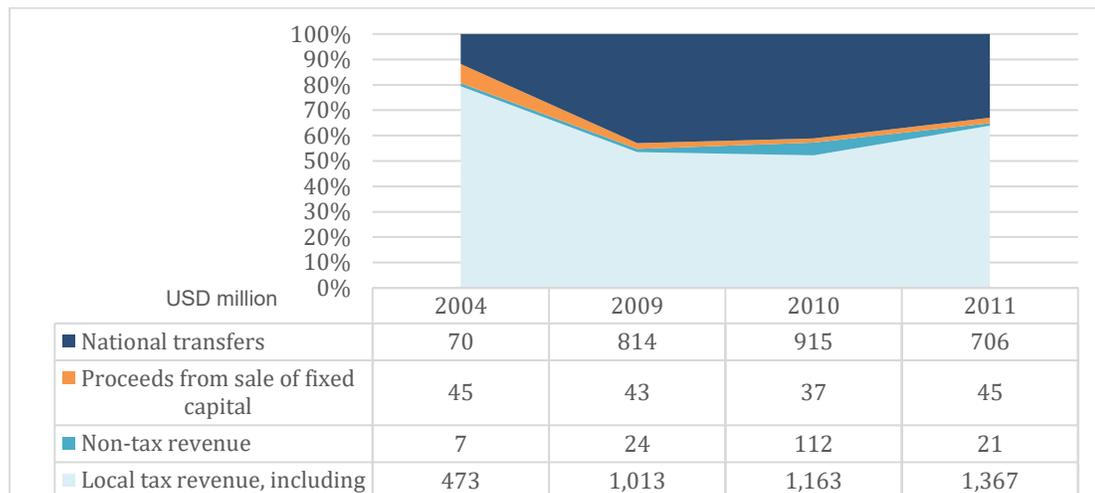


Figure 3.3 Almaty City Revenue Structure before Bidding (2004), During the Preparation, and Hosting of the ASIADA-2011 (2009-2011). Data retrieved January 10, 2017 from the official website of the Ministry of Finance of the Republic of Kazakhstan: <http://www.minfin.gov.kz>

The national government's decision to host the ASIADA-2011 in two cities added more work for the city governments and decreased their involvement in the management of the project. The representatives of the Ministry of Culture and Sport of Kazakhstan took the lead on planning and implementation of the *national project* by forming a special Organizing Committee of the ASIADA-2011 while Almaty and Astana city governments were given the responsibility of local support and development of urban infrastructure for the ASIADA-2011 (Gov. RoK Res.492, 2007). The Almaty city government missed the opportunity to build all planned sports complexes, had to adjust local plans and cut some of the planned expenses on the development of transport infrastructure. On the other hand, the Astana city government unexpectedly had to deal with the construction of large sports complexes and transport infrastructure that were not in the city development plans. The Organizing Committee of the ASIADA-2011 stated that hosting the ASIADA-2011 was equal to the simultaneous preparation of two mega events, requiring the presence of two sub-committees in Almaty and Astana. Furthermore, they were faced with unexpected expenses in order to connect the two cities which are 1000 km from each other (Executive Directorate of the Organizing Committee of the 7th Asian Winter Games 2011, personal communication, June 2014; February 2015).

**The efficiency of public investment in the ASIADA-2011 was constrained by the lack of qualified people.** Limited in the autonomy and capacity to execute control over the quality of urban development and implementation of construction standards (see Chapter 2), both Almaty and Astana city governments had difficulties guaranteeing the quality of new sports facilities in terms of international standards. The civil servants

stated that they could not contribute anything significant to the process of construction, due to the duplication of responsibilities with the Executive Directorate of the Organizing Committee of the 7th Asian Winter Games 2011 (personal communication, February 2015). There was a persistent lack of clarity about who had authority to execute control over construction of the ASIADA-2011 facilities. The Olympics became a test of national and city governments' competence in the management of physical urban development (Clark, 2008). During the opening ceremony of the ASIADA-2011, Ms. Sadykova (2011) from the Asian Winter Games Organizing Committee made the following statement: "Mr. Jacques Rogge said that our sports venues were great, modern, and built along the best world standard. He thinks even that we are ready to go for bid for the Olympic Games in 2022". However, this opinion was not shared by the managers of the ASIADA-2011 facilities, who were originally contracted by the Ministry of Culture and Sport. They expressed their dissatisfaction with the quality of construction, mentioning the future cost of annual repairs as well (Consultants, personal communication, June 2014; March 2015; May 2016).

Poor management of the construction resulted in the big difference between initially planned and finally obtained quality of sports facilities of the ASIADA-2011. The ASIADA-2011 involved contracting international companies and experts during the planning and design stages. However, the construction of the ASIADA-2011 facilities did not meet the planned quality due to the lack of qualified labour and operating staff such as project and construction managers. According to the representative(s) of the KVL Group, the construction industry of Kazakhstan still lacks professional managers who are trained to supervise the construction process in a way that would follow the suggested

design as closely as possible (personal communication, June and July 2014). None of the people included in the Organizing Committee of the ASIADA-2011 from city governments had any experience managing a *megaproject* or knew how to organize construction of world-class sports facilities (Experts from local NGOs, personal communication, June 2014; January 2015; June 2016).

Managing the construction of public buildings was complicated because the quality of service demanded could not be met with the available services, based on the budget (Civil servants from Akimats of Almaty and Astana, personal communication, February 2015). For example, the construction cost of Saryarka Velodrome in Astana increased 1.75 times from KZT 12 billion (USD 100 million) up to KZT 21 billion (USD 148 million) (National Counting Committee, 2011, p.15) (see Table 3.2). The cost of constructing the Sunkar International Ski Jumping Complex in Almaty increased 2.2 times from KZT 17 billion (USD 142 million) up to KZT 38 billion (USD 276 million) (see Table 3.2) (p.18).

Costs also increased because the local job markets of Almaty and Astana were not ready to supply the ASIADA-2011 with qualified staff who were familiar with installation of specialized sports equipment. In total, about KZT 10.28 billion (USD 72 million) was spent on sports equipment that became non-operational due to the absence of qualified staff (National Counting Committee, 2011, p.57). During construction of the Alau Ice Palace in Astana, KZT 1 billion (USD 7 million) was spent to buy an ice cover, but this ice cover had to be replaced by a new one because the procurement staff did not buy the right one originally (Consultants, personal communication, May 2015). New television equipment (purchased at KZT 4.123 million (USD 29,035)) was installed

during construction of the Cross-country Skiing and Biathlon Stadium, but could not be used during or after the ASIADA-2011 due to the lack of qualified technicians (Civil servants from the National Counting Committee, personal communication, March 2015).

Table 3.2

*ASIADA-2011 sports facilities*

Name of the hosting city	Type of facilities	Name of building	Capacity	Estimated preliminary cost, in million USD	Estimated final cost, in million USD
Astana	Constructed facilities	Astana Arena	30,000 seats	-	185
		Alau Ice Palace	7,500 seats	-	140
		Saryarka Velodrome	8,000 seats	100	148
	Renovated facilities	Kazakhstan Sports Palace	Arena 1- 5,050 seats; Arena 2 – 1,200 seats	-	50
Almaty	Constructed facilities	Sunkar International Ski Jumping Complex	9,500 seats	142	276
		Tabagan Sport and Recreation Complex	2,250 seats	-	60
		Alatau Cross-country Skiing and Biathlon Stadium	6,200 seats	-	152
	Renovated facilities	Baluan Sholak Sports Palace	5,000 seats	-	65
		Medeo	8,500 seats	-	130
		Shymbulak Alpine Sport Resort	3,000 seats	-	200
	Total				

*Note.* The initial and final cost was estimated based on different sources and comments from the decision-makers involved in the preparation for ASIADA-2011, interviews in Almaty and Astana, June 2014 – January 2017

Because of their desire to look good to the national government, the Almaty city government misinformed them regarding timely completion of all sports complexes for the ASIADA-2011. In fact, the construction of all sports facilities for the ASIADA-2011 could not be completed on time, were over the given budget, and did not satisfy the level of quality that as promised (Consultants, personal communication, June 2014; September 2014; October 2015.). To provide an example, the existing Shymbulak Sky Base in Almaty had to be turned into the Shymbulak Alpine Sport Resort by adding 40 hectares of land and constructing a 50-meter length swimming pool. The allocated amount of KZT 24 billion (USD 200 million) for construction was fully spent, but the renovation works could not be fully completed (National Counting Committee, 2011, p.45). The renovation of the Medeu Ice Rink in Almaty was also not fully completed because the budget of KZT 15.6 billion (USD 130 million), requested for repairing of the ice rink, was not enough for the renovation work (ASIADA Sport Committee, 2011).

After the ASIADA-2011, most of the new facilities were transferred to the cities. For example, Astana Arena sports complex, which was a property of the Ministry of Culture and Sports of the Republic of Kazakhstan, has been transferred to the Astana city *Akimat* (Astana Arena, 2016). However, the maintenance costs of these national facilities were still partly covered by the national government. The increase of such annual public spending expenses can be tracked from the officially published state budget expenses (Ministry of Finance, 2016). As of 2012, the new line item of “the targeted current transfers to the regional budgets, budgets of Astana and Almaty cities for maintenance of newly introduced sports facilities” has been introduced in the annual state budget. In 2012, this targeted transfer for maintenance of sports facilities was equal to KZT 21

million (USD 141 thousand), and two years after that, in 2014, it increased 10 times to KZT 256 million (USD 1.7 million).

The current national transfers hardly cover the expenses related to the operation of the ASIADA-2011 facilities. On top of that, poor management of these public facilities do not allow it to earn money through commercial uses either. None of the interviewed civil servants from national and local governments wanted to share the operating costs of new facilities, but said that it is “pretty high” (personal communication, February 2016). Journalists who attempted to find true numbers received the written answer of the civil servants stating that “monthly maintenance cost of the Saryarka Velodrome, covered from the national budget, is an average KZT 130 million (USD 855 thousand), and the Alatau Cross-country Skiing and Biathlon Stadium in average KZT 65 million (USD 428 thousand)” (ZAKON KZ, 2013b). Despite the costly maintenance, the use of these new sports complexes remains extremely limited. The Astana arena is located far away from the residential areas and it is not fully open for public use (Experts from NGOs, personal communication, January 2015). Even during sporting events, the arena is not used to its full capacity: “in the stadium with a capacity to accept about 30,000, one can hardly observe up to 1,500 visitors” (Civil servant of Astana Akimat, personal communication, March 2016).

**Almaty city won a chance to host UNIVERSIADE-2017: Astana city was given the EXPO-2017.** The Almaty city government obtained an opportunity to use some of the ASIADA-2011 sports facilities again during the UNIVERSIADE-2017. However, most of them had to be renovated, requiring additional investment. Furthermore, due to an inability to use the large sports complexes constructed for

ASIADA-2011 in Astana, Almaty had to make an additional investment for construction of new sports facilities for UNIVERSIADE-2017. The total cost of multifunctional facilities like the Almaty Arena, Halyk Arena, and Athletic Village in Almaty was approximately USD 442 million (see Table 3.3). However, this time, the construction of new facilities for hosting of UNIVERSIADE-2017 was completed ahead of schedule, without any public overspending (Civil servants of Ministry of Culture and Sport of Kazakhstan, personal communication, February 2017). In addition to direct national transfers, the Almaty city government could attract investors, such as the state-owned Halyk Bank and Zhilstroybank. About 1,550 small, private enterprises were involved in the construction of the new facilities for UNIVERSIADE-2017, about 30,000 jobs were created, and the city received KZT 9.2 billion (USD 27 million) (Matrikov, 2016).

Table 3.3

*UNIVERSIADE-2017 facilities*

Name of building	Estimated share of different funding sources			Capacity	Estimated final cost, in million USD
	National budget	Local budget	Private investment		
Halyk Arena	60%	10-15%	25-30%	Territory 67.5 hectares/ Arena 1 - 3,000 seats; Arena 2 – 300 seats	115
Almaty Arena	56%	10-15%	29-34%	29,000 sq.m/ Arena 1 - 12,000 seats; Arena 2 - 475 seats	200
Athletic Village	44%	10-15%	31-46%	Territory 21.5 hectares/ 5,000 dwellers	127
Total					442

*Note.* The cost was estimated based on different media sources and comments from the decision-makers involved in the preparation for UNIVERSIDA-2017, interviews in Almaty and Astana, June 2016 – January 2017

Though it failed to be included in the bid for UNIVERSIADE-2017 proposed by the Almaty city government, Astana still obtained a chance to host EXPO-2017 under the direct supervision of the national government. In January 2013, Astana EXPO 2017 JSC was created, with the Ministry of National Economy of the Republic of Kazakhstan playing the role of the sole shareholder. Astana EXPO 2017 JSC has started to lead the preparation for hosting of EXPO-2017. The Board of Directors of the Astana EXPO 2017 JSC was headed by the First Deputy Prime Minister of the Republic of Kazakhstan (Astana EXPO JSC 2017, 2016). Alongside him, the Board of Directors is comprised of the Vice-Minister of National Economy, Chairman of the State Committee of State-owned Property and Privatization of the Ministry of Finance, independent directors and the Chairman of the Management Board of the Organiser. Mr. A.S. Yessimov was appointed Chairman of the Management Board of the Organiser (p.26).

The national government established exceptional legal conditions for the EXPO-2017, distancing the Astana city government from having a management role in the preparation process (Civil servants from MNE, personal communication, February 2016). The Budget Code (2008) was corrected to allow direct financing of the national company Astana EXPO-2017 JSC, approximately USD 3 billion of public money bypassed Astana's city budget. In 2012 the Astana city budget received USD 1,388 million, but in 2016 the national transfers decreased to USD 556 million (see Figure 3.4). There was a special national budget line item created called the "special purpose transfer to the national company Astana EXPO 2017 JSC" which allowed the company Astana EXPO-2017 JSC to receive direct national transfers for design and budget documentation, and for the construction of the EXPO-2017 town (Gov. RoK Res.715, 2013). Adaptation of

the Urban Planning Act (2001) allowed the EXPO-2017's new facilities to go through private examination, bypassing public inspection and avoiding a public discussion about the environmental and social impact of the *national project*. Changes in the Tax Code (2008) introduced exemptions from taxes for the national company Astana EXPO-2017 JSC, including land and property taxes that may have gone to the city budget.

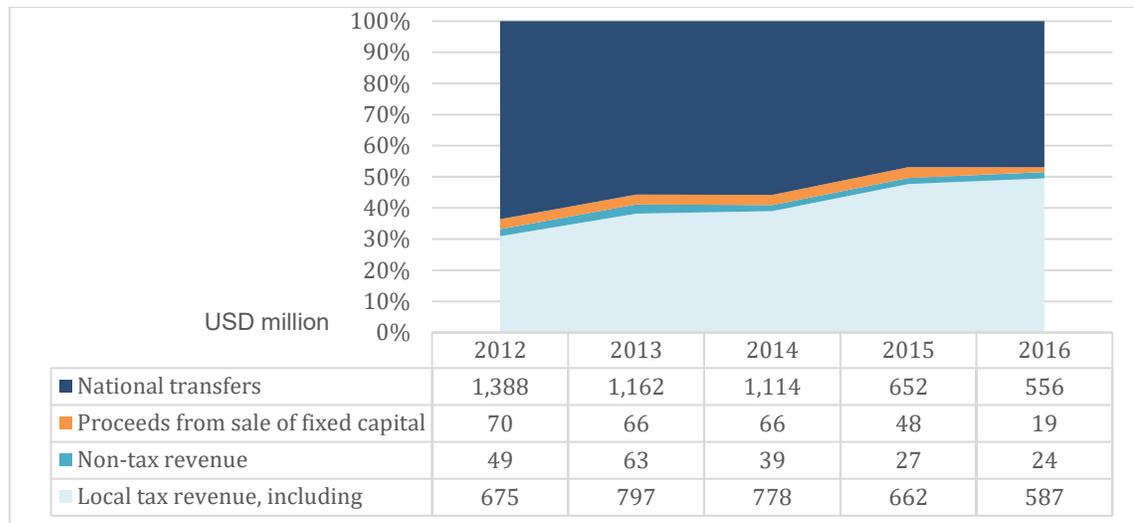


Figure 3.4 Astana City Revenue Structure During the Preparation for EXPO-2017 (2012-2017).

Data retrieved January 10, 2017 from the official website of the Ministry of Finance of the Republic of Kazakhstan: <http://www.minfin.gov.kz>

In addition to adjustment of national legislation, the EXPO-2017 town, occupying 174 hectares of urban land with 25 hectares of exhibition site (see Figure 3.5), obtained a remarkable design proposed by Adrian Smith & Gordon Gill Architecture (Astana EXPO-2017 JSC, 2016). The design company was selected based on an international competition that featured 105 entries from around the world. The national government allocated approximately KZT 2.4 billion (USD 16 million) to cover the fees of external consultants assisting in the organization of EXPO-2017 (Ministry of Finance, 2016). The EXPO-2017 team tried to increase the presence of national companies in the project by

contracting 19 domestic companies for the total sum of KZT 60 billion (USD 233 million) (Astana EXPO 2017 JSC, 2015). However, the participation of local construction companies in the erection of the EXPO-2017 facilities resulted in an accident in 2016 where part of the newly built structure of the EXPO-2017 collapsed, serving as a signal that the absence of quality local construction services can devalue the initial investment in an exclusive design (see Figure 3.6).



*Figure 3.5* The EXPO-2017 Site and Main Buildings. Reprinted from official website of the *Astana EXPO 2017*: <https://expo2017astana.com>. Copyright 2017 by the Astana EXPO 2017 JSC. Reprinted with permission.



*Figure 3.6* Photos of the Demolished Structures on the EXPO-2017 Site. Reprinted from Tengri News, Retrieved November 16, 2016 from: <https://tengrinews.kz/events/konstruktsiya-obrushilas-na-territorii-EXPO-2017-v-astane-306264/>. Copyright 2016 by Tengri News. Reprinted with permission.

### 3.4 Short-term benefits with long-term economic consequences

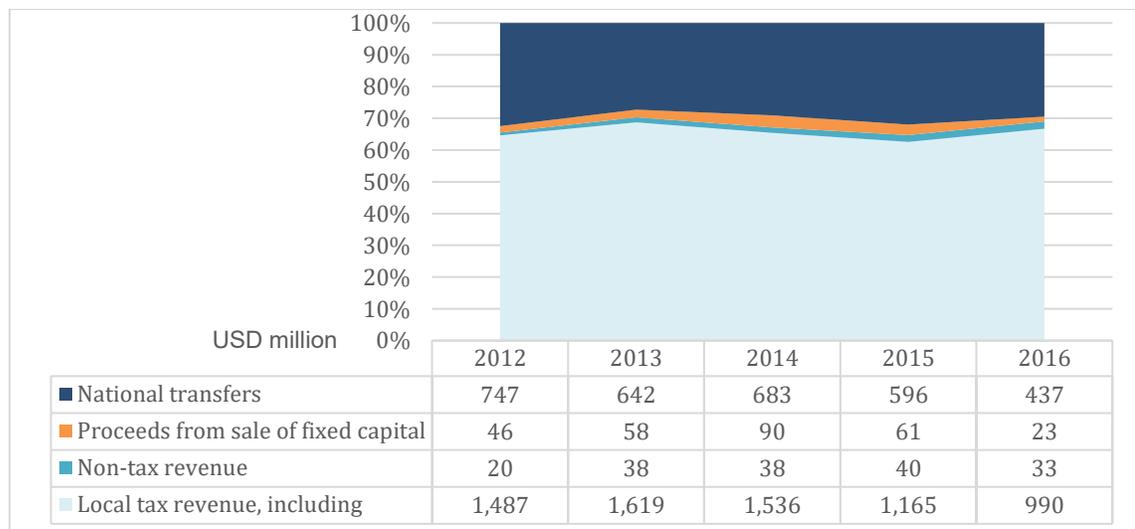
The impact that *megaprojects* have on local development does not depend on the amount of public funding aimed at pure physical development, but rather, it depends on the quality of investment and capacities of city governments to plan and allocate new developments in favour of citizens (Telesca, 2014). In many cases, *megaprojects* are not the outcome of the city's proposed local strategy. As a result, city governments have to deal with the allocation of the *megaprojects* in the *ex post* manner (Kennedy, 2015). Often, preparing a *megaproject* is ad hoc, and does not include a proper assessment of its long-term impacts on local economic development (Solberg & Preuss, 2007). In the case of Kazakhstan, wherein city governments lack decision-making autonomy and the capacity to plan and manage urban development in a sustainable way (Chapter 2), special attention must be paid to the process of allocating finances for *national projects*. This section aims to analyse how the Almaty and Astana city governments deal with the allocation of *national projects* and what the underestimated long-term social and environmental costs are for cities and citizens' local economic future.

**The UNIVERSIADE-2017 and unfulfilled plans on the development of transport infrastructure.** The Almaty city government could play a considerable role in the preparation for the UNIVERSIADE-2017. It declared that UNIVERSIADE-2017 was arranged and implemented with attention focused on local development priorities such as tourism and the service sector (Public reporting of Almaty city Akim, personal participation, February 2015). Two new complexes, the Almaty Arena and Halyk Arena, were constructed in the western and eastern periphery of the city, residential districts of Almaty (Civil servants from Almaty city Akimat, personal communication, July 2016).

Almaty Arena and Halyk Arena were designed as multifunctional complexes, open for different public events as well as daily use (i.e., people can register for different sports like boxing, wrestling, table tennis, swimming and use gym equipment at affordable prices). According to the Almaty city government plans, the money collected from commercial use of these multifunctional complexes will cover their maintenance. By creating the Athletes Village (consisting of 14 housing blocks of flats and 3 maintenance units), UNIVERSIADE-2017 contributed to the development of social housing in Almaty. Close to the end of 2016, before hosting the UNIVERSIADE-2017, the Almaty city government had already announced post-event availability of the 1,748 apartments (including 996 1-bedroom apartments 40-45 sq.m, 560 2-bedroom apartments 50-56 sq.m, 192 3-bedroom apartments 63-89 sq.m.) in the Athletes Village in Algas' micro-district. They would be available for rent, with the opportunity to purchase. Right after the UNIVERSIADE-2017, social housing had started to be leased at a rate of KZT 1,036 (USD 3) per 1 sq.m for maximum of 20 years, with the opportunity to be redeemed after five years of renting (Melayarova, 2016).

Despite all reported achievements, Almaty city government could not complete most of the planned preparation of urban infrastructure. There was a suspension in development of the public transport system because of the shortage of national transfers that were cut in half due to the increased cost of preparation of the EXPO-2017 in Astana (Civil servants from Almaty city Akimat, personal communication, March 2015). In 2012 the Almaty city budget received USD 747 million, but in 2016 the national transfers decreased to USD 437 million (see Figure 3.7). Only one of the three Almaty Metro lines was completed, and only one fifth of the Bus-Rapid Transit corridor started to operate

before the UNIVERSIADE-2017. Not being able to solve the current transport problems of Almaty, such as daily morning and evening congestion of up to two or three hours, the city government had to implement temporary measures. In the absence of the public transport that could link the UNIVERSIADE-2017 facilities, the city government arranged special buses for the participants. During the UNIVERSIADE-2017, the Almaty city government could use its local power to influence a number of social and economic structures including: stopping the work of the largest product markets and consumer goods selling bazaars; calling for a week of holiday for all city public schools; and restricting vehicular entry into the city if certain technical, sanitary and environmental standards were not met (Sabekov, 2017). Residents and commuters working in Almaty city were not informed in advance and became victims of these unplanned closures and limitations (NUR KZ, 2017).



*Figure 3.7* Almaty City Revenue Structure During the Preparation for UNIVERSIADE-2017 (2012-2017). Data retrieved January 10, 2017 from the official website of the Ministry of Finance of the Republic of Kazakhstan: <http://www.minfin.gov.kz>

**Inadequate planning and implementation of *national projects* leads to the decrease of trust between citizens and city governments.** Creating a clear strategy, which shows how international events can be beneficial for local development, is crucial for engagement of local actors and successful implementation of a *national project* (Burbank, Andranovich & Heying, 2002). However, the planning and implementation of *national projects* in Kazakhstan were carried out with inadequate engagement of local actors (Experts from NGOs, personal communication, May 2016; June 2016.). Being subordinate to the *national projects*' managerial team, the city government did not always have the opportunity to adapt *national projects* to the local needs of citizens. Conversely, city governments would frequently adjust local development plans to the needs of the *national projects*. Almaty and Astana city *genplans* were amended for the needs of ASIADA-2011 and UNIVERSIADE-2017 (see Chapter 2), and the preparation for hosting the EXPO-2017 was also started with full adjustment of the Astana city *genplan* for EXPO (Consultants, personal communication, July 2014; March 2015; February 2017).

Including *national projects* in the city *genplans* allowed the national government to use city governments to acquire land plots from current users (owners) for governmental needs. City governments of Kazakhstan are entitled to regulate the use of urban land and allocation of new development. According to Article 84 of the Land Code (2003), land acquisition by the state can be implemented based on the needs of new developments included in the approved *genplan*, or based on the other state planning documents for projects financed from budgetary funds. Also, when land required for the construction and operation of tourism facilities are included in state planning documents

such as city *genplan*, the Land Code (2003) allows for a change in how land is used, even land that is part of protected natural reserves.

The top-down allocation of *national projects* as the priority of urban development has started to put city governments in a conflictual position with citizens. The first conflict of interest between Almaty city government and its citizens took place during preparation of the land for construction of mountain sports facilities for ASIADA-2011. At the time, Almaty city government had to transform a part of the specially protected land for new developments. Public discussion has arisen around the ski resort Kok Zhailau project that was finally excluded from the list of the ASIADA-2011 facilities because its implementation was suspended due to active public opposition.<sup>8</sup> However, during the preparation for UNIVERSIADE-2017, the Akim of Almaty stated that the Kok Zhailau project could be recovered if they could attract private investors to pay for it (Public reporting of Almaty city Akim, personal participation, February 2016). At the same time, according to the NGOs' calculations, the negative impact of the already constructed road and utilities for Kok Zhailau on the local environment and wildlife habitat of Ile-Alatau National Park remained high and could hardly be compensated by any investment returns (Experts from NGOs, personal communication, May 2015).

During the preparation for UNIVERSIADE-2017, public discussion around new developments on the mountain area had continued, but this time a conflict appeared around the preservation of the World Cultural Heritage in the Almaty region. The construction of a road connecting the Alatau Cross-country Skiing and Biathlon Stadium

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<sup>8</sup> Some active citizens protested on the site, others have created a Facebook group called "Let's protect Kok Zhailau". See more: <https://www.facebook.com/groups/431360897065943/members/>. "Protect Kok-Zhailau" has become a part of the Environmental Justice Atlas: <https://ejatlas.org/conflict/protect-kok-zhailau-ile-alatau-state-national-nature-park-kazakhstan>

with the rest of the UNIVERSIADE-2017 sports facilities was suspended due to the damage of the World Heritage property. As reported by the ICOMOS<sup>9</sup> (2016): “27 July 2014: the construction of the road (in violation of Article № 127, the Land Code, and Article № 35 of Heritage legislation) started in the direction of the Sport Center Akbulak, where the UNIVERSIADE 2017 is planned” (p.18). The road construction in Talgar led to the demolition of parts of the Talhiz site of the ancient town (see Figure 3.8) included in the Great Silk Road monuments list in 2014, along with 33 other monuments and cultural sites in the territory of Kazakhstan, Kyrgyzstan and China (ICOMOS, 2016, p.3). The appeal to the ICOMOS led to a suspension of all types of construction work on the Talgar hillfort (Talhiz site) (Prime Minister of the Republic of Kazakhstan, 2016).



*Figure 3.8* Photos from the Road Construction near Talgar Showing Demolished Ancient Structures of Talhiz Site. Reprinted from Total, Retrieved September 28, 2016 from: [http://total.kz/culture/2016/09/28/sudba\\_gorodischa\\_talhiz\\_budet\\_reshatsya\\_v\\_astane](http://total.kz/culture/2016/09/28/sudba_gorodischa_talhiz_budet_reshatsya_v_astane). Copyright by Total. Reprinted with permission.

According to local archaeologists, despite having stopped the construction, the Talhiz site was partly destroyed (Experts from NGOs, personal communication, November 2016). Additional funds from the Almaty regional budget were transferred to

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<sup>9</sup> International Council on Monuments and Sites, see at: [www.icomos.org/en/](http://www.icomos.org/en/)

assist with this incident. The money was used to design and implement the construction of a new bypass road outside the protection zone and undertaking of supplementary archaeological research. However, local heritage sites in the Almaty region were left without additional institutional and financial support from the national government (Civil servants from Almaty region Akimat, personal communication, February 2017). The Almaty regional government could not obtain any additional national transfers for rehabilitation and fencing of Talhiz site. As a result, the site remains unprotected from any future developmental impact (personal communication, February 2017). Hence, the Talhiz site case, increased public critique around *national projects* such as UNIVERSIADE-2017 and EXPO-2017.

The preparation for EXPO-2017 resulted in a social conflict around compulsory land acquisition (Kasnova, 2016). According to the new Astana *genplan*, new urban infrastructure to be developed for the EXPO-2017 included, but was not limited to: a new railway station with capacity to serve 35,000 passengers per a day and the total area of 27 hectares; a new terminal, increasing capacity of the airport up to 1,500 passengers per an hour; new 22.4 km Light Rail Transport system (LRT) with 18 stations and a capacity of 580 passengers, linking Astana International Airport to the new railway station; and two new bus stations with the capacity of 4,500 passengers per day. Allocating all these new developments demanded additional land plots, including the acquisition of land, which left the original owners dissatisfied with the compensation they received. The Chairman of the Esil district court of Astana received 250 lawsuits related to land plots acquisition for EXPO-2017 in 2013 (ZAKON KZ, 2013a). Also, Ms. Gulnar Abdigalieva from the Esil district court of Astana informed that as the past experience of the compulsory land

acquisition by the city government in 2012 showed the state proposed compensation could hardly satisfy citizens' expectations. The national government attempted to conceal most of the public protests (Experts from NGOs, personal communication, February 2017), but journalists were able to uncover stories of people protesting their resettlement from dachas<sup>10</sup>, located on the site of the new railway station (TODAY KZ, 2016a).

The *national projects* put Almaty and Astana city governments in the middle of social conflicts that they had no ability to solve. Lacking decision-making autonomy in the distribution of public finances, city governments did not have any opportunity to challenge *national projects*-related decisions. In the end, the national government left the city governments to deal with citizens' claims, without supplying them with any additional decision-making autonomy or resources. At the same time, the temporarily established Organizing Committees of ASIADA-2011, UNIVERSIADE-2017 and Astana EXPO-2017 JSC could not enhance the efficiency of the project management (Civil servants from Akimats, personal communication, June 2015; June 2016). There were a number of corruption scandals related to the activities of these temporary managerial actors. In 2011 the head of the ASIADA-2011 management team, Mr. Sultanbek Syzdykov, was accused of stealing KZT 23 million (USD 158 thousand) (Tengri News, 2013). In 2016, the head of the Astana EXPO-2017 management team, Talgat Ermegiyaev (former Minister of Sports and Tourism), was accused of unjustified spending of over USD 31 million from the EXPO-2017 budget (Green, 2016). Despite

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<sup>10</sup> During Soviet times, dachas were built as the garden houses for citizens to temporary use during the weekends. However, most of these dachas turned into the permanent housing after privatization and extension of the Astana city border.

these allegations, the national government continues to support the hosting of expensive international events.

Making *national projects* beneficial for citizens remains an issue that is not yet represented on the policy agenda of the national and city governments of Kazakhstan. The perception of the role of *national projects* in urban development remains biased towards general achievements rather than actual outcomes for urban development. The primary objective for the city governments in hosting *national projects* had become: to attract more national transfers. Consequently, the interest in meeting the national government's expectation overshadowed the Astana and Almaty city governments' duties to satisfy local community needs. Therefore, city governments, hungry to attract more special national transfers for development of urban infrastructure, avoid critics around *national projects*. Nonetheless, due to the lack of attention on the potentially negative effects of new development, city governments had to tackle additional environmental and social costs that ultimately decreased the trust citizens had for its government. The public criticizes the way national investment is handled because it clearly does not improve their living conditions. While the Almaty city government is proud of the UNIVERSIADE-2017 outcomes (Civil servants of Almaty city, personal communication, March 2017), citizens experience great difficulties in using new sport complexes because they were not supplied with adequate public transport access (Consultants, personal communication, March 2017). The national government focuses on the great number of visitors of the EXPO-2017, seeing it as a certain achievement (Kazakhstan Today, 2017). However, local citizens continue to raise their awareness about the assumed spending of their pension money for construction of the EXPO-2017 (Darkeyev, 2016).

### 3.5 Conclusion

Assessment of the *national projects* in Almaty and Astana shows that the national government's intervention in the cities' development will not lead to sustainable development results if local actors such as city governments and city dwellers are not engaged in the planning and management of *national projects*. The implementation of *national projects* is constrained by national level actors forming the managerial team. When Almaty and Astana co-hosted ASIADA-2011, the national government reduced the share of public investment initially allocated to finance construction of new sport complexes in Almaty. Consequently, for UNIVERSIADE-2017, the Almaty city government had to find additional resources for construction of new sport complexes (Almaty Arena and Halyk Arena) similar to the Astana Arena built for ASIADA-2011. The ASIADA-2011 case showed that both Astana and Almaty city governments lacked capacity and autonomy to prepare the city infrastructure and guarantee the required quality of construction and operation of the nationally financed expensive facilities. Due to the poor engagement during the planning and implementation phase, city governments were stuck with the responsibility of allocation of the new facilities and their post-event use.

National transfers are continually devoted to the construction of new luxury facilities without development of local managerial capacities to operate and commercialize the post-event use of these facilities. Most *national projects* are event-based, and national transfers are provided to cover only immediate expenditures. National allocations of grants for the construction of new complexes do not fully cover long-term expenses related to further maintenance and supply of communal services. However, the

post-event use of facilities had not been adequately commercialized to bring any additional revenue to the city budget. Every *national project* makes city governments more dependent on external financial support due to increasing budget expenditures. In turn, this makes city governments, looking for investment in the development of urban infrastructure, continue to be interested in hosting international events and implementation of *national projects*. The Astana city government uses its status as the national capital to attract public finances for city branding. The Almaty city government has a precise interest in *national projects* for development of tourism infrastructure.

By prioritizing the implementation of *national projects*, city governments have started to distance themselves from their main role to addressing local development needs. City governments easily adjusted local development plans to supply *national projects* with land, infrastructure and other resources, even when it led to the negative outcomes for local dwellers and a negative domestic environment. None of the *national projects* that were implemented can economically justify the integrated urban transformations. The remaining challenges are overestimated benefits and underestimated costs related not only to the implementation, but also to the further maintenance of long-term outcomes of *national projects*. There is a risk that the planned fiscal decentralization reforms may not work for cities such as Astana and Almaty if national funding is invested into local development without strengthening the role of local governments in municipal economic development. The delegation of more fiscal freedom and decentralization of tax collection may not improve the situation in Almaty and Astana if the national government continues to impose new developments without inter-governmental dialogue and improved accountability of national and local governments.

## CHAPTER 4: THE ROLE OF LOCAL *DEPUTIES* AND BUREACRATS IN MANAGEMENT OF URBAN TRANSPORT

### 4.1 Introduction

Decentralization of public services, which includes the provision of urban infrastructure, remains one of the most popular pro-growth strategies implemented in most developing countries (Dillinger, 1994). Since the country's independence, city governments in Kazakhstan have been responsible for managing urban transport infrastructure, while the transport market was fully opened for private operators.<sup>11</sup> Despite 20 years of decentralization, underdeveloped public transport and damaged roads remain among the main obstacles for urban development in Kazakhstan. Poorly managed urban transport is one of the main causes of air pollution in Almaty (UNDP/GEF, 2015). The current public transport systems in cities do not provide passengers with adequate comfort, speed or safety (ADB, 2012b). City governments, which are responsible for managing urban transport, have faced significant criticism from citizens for their inability to maintain roads and improper regulation of the work of private transport operators (Public reporting of Akims of Almaty and Astana cities, personal participation, February 2015, 2016, and 2017). Due to public pressure regarding improvement of local service delivery, the President of Kazakhstan has stressed the need “to give more autonomy to local governments, while enhancing their accountability for results and increasing their accountability to the public” (Nazarbayev, 2014).

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<sup>11</sup> The national government of Kazakhstan came to a decision on a new law regarding demonopolization of passenger transport which allowed private companies to serve passenger trips (Gov. RoK Res.773, 1996). Only recently, Almaty, Astana and Shymkent governments have started to create their own municipal bus companies (UNDP/GEF, 2015).

The President of Kazakhstan promotes democratization of the political system at a subnational level of government as part of his goal to improve local government accountability. The hope is that the people of Kazakhstan may get a chance to affect the course of local development through elected *Deputies* forming local representative bodies called *Maslikhats* (see Chapter 1) (Nazarbayev, 2015). Furthermore, it is expected that by giving these *Deputies* the responsibility of approving local development plans and various local budgets, they would transform from passive policy implementers into influential local decision makers (Local Government Act, 2001). Theoretically, delegating decision-making power to politicians will help improve the efficiency of public services at the sub-national level. However, so far, there has been no investigation into whether local *Deputies* have any influence on the local decision-making processes related to decentralized public services.

Understanding the link between the empowered politicians' decision-making position and the development of decentralized urban transport is especially important in the Kazakhstani cities that were selected for the development of urban agglomerations. Despite positive assumptions made about political decentralization (Salazar, 2007), some scholars raise concerns about the capacities of Kazakhstani politicians to make decisions in favour of local people (Duvanova, 2017). In fact, the transfer of decision-making power may not always be appropriate or beneficial for the local people (Libman, 2008). For example, political autonomy given to corrupt politicians may negatively affect local development (Bardhan & Mookherjee, 2000; Kuncoro, 2006). In Kazakhstan, local governments decide on financial allocations for development of road networks and provide licenses for the operation of urban public transport. *Maslikhat Deputies*, on the

other hand, may be interested in receiving part of these public resources. Considering the potential challenges of democratizing city governments in Kazakhstan, understanding the ability of local politicians to make pro-public decisions regarding the management of urban infrastructure is critical if progress is to be made in the political decentralization of the country. This will help shift the country towards stable economic development in the long run.

#### **4.2 Political decentralization and the role of local decision-makers**

Scholars refer to the need for representative democracy at the local level as one of the main preconditions for improving local public services (Adserà, Boix & Payne, 2003). The main objective of political decentralization is to provide local people with opportunities to elect their own representatives to form a local government (Eaton, Smoke & Connerley, 2010). It is expected that assigning adequate decision-making power to elected *Deputies* is a sufficient condition for local improvements, as local governments respond better to the needs of local people (Manor, 1999). However, in the case of countries in transition, centrally assigned civil servants can still control local council decisions, resulting in an inefficient delivery of public services and poor management of local development (Hwang, 1999; O'Neill, 2005). In Kazakhstan, *Maslikhats* have not obtained enough decision-making autonomy to have an impact on local public service delivery (Makhmutova, 2006). People do not rely on the local *Deputies of Maslikhats*, claiming that they are corrupt (Turisbekov, Zhandosova, Tagatova & Shilikbaeva, 2007). Therefore, the main objective of political decentralization is not only to provide local people with opportunities to elect their own

representatives in local government, but also to create institutional conditions wherein elected bodies can be influential and capable actors in the local decision-making process (Fleurke & Willemse, 2006).

The purpose of this essay is to contribute to a better understanding of the impact that political decentralization has on local economic development in Kazakhstan. Promoting local development and improving decentralized public services requires the presence of effective local decision-makers capable of using public resources to fulfill public needs (Shah & Thompson, 2004). What makes the politicians under review capable or not capable of management of urban transport is based on the assessment of locally elected officials' behaviour. The study focuses on the role of *Deputies* who represent their local population, and it critically reviews the claim that the elected officials of local governments in Kazakhstan, if given local autonomy, can make decisions that would benefit the public. In order to create a coherent case for this essay, the focus will be placed on how *Maslikhats* and *Akimats* in Almaty, Astana, Aktobe and Shymkent handle urban transport management.

**Research approach.** The analysis is based on three main sub-components of politically decentralized local government: representative (Mill, 1862), responsive (Wallis & Oates, 1988) and accountable government (Schedler, 1999). The study aims to understand how locally elected *Deputies* of Kazakhstan fit in with the three main assumptions of political decentralization. The first assumption is that elections help bind politicians to constituents better than government-selected bureaucrats. Scholars suggest that even in the cases of ward based election systems, these elected politicians make pro-public decisions because they are incentivized to carry out decisions fitting their voters'

needs. The second assumption is that due to their position of being closer to citizens and knowing more about their needs, local government actors are better at distributing locally available public resources and delivering local services. And finally, the third assumption is that locally elected politicians are publicly accountable due to their close work with voters.

The current study seeks to synthesize the results obtained from the review of publicly available literature, legal documents and media publications along with the findings of 50 confidential interviews conducted with local decision makers in Almaty, Astana, Aktobe, and Shymkent. The reviewed documents include reports from *Akimats* and *Maslikhats*, minutes from the *Maslikats*' committee meetings, and financial statistics. The confidential interviews were conducted with current and former civil servants from *Akimats* (10 people) as well as current and former *Deputies* of *Maslikhats* (10 people). The information provided by the local government representatives was enriched by the findings from interviews conducted with international and local consultants who worked with *Akimats* and *Maslikhats* (20 people), and representatives of local NGOs (10 people).

#### **4.3 Inability of elected politicians to be independent from local bureaucrats and its outcome on local development**

Scholars studying political decentralization argue that there is a difference in behavior between appointed administrators and elected politicians (Besley & Coate, 2003). Decentralization proponents emphasize the fact that free elections allow citizens to control politicians who are interested in being reelected (Alesina & Tabellini, 2008). However, few studies have attempted to look at the process of election and actual

relationships between local-level elected politicians and assigned bureaucrats of Kazakhstan (Duvanova, 2017, Akhmetova & Grigoriev, 2007). Starting with understanding the *Akimats*' interest in having informally dependent *Maslikhat Deputies*, in this section, I focus on the role of *Akimats* in forming controllable *Maslikhats* during the election stage. I assess the formal and informal interaction between *Akimats* and *Maslikhats*, and explore why *Maslikhat Deputies* fail to serve as the adequate representative actors for public.

***Deputies informally dependent on civil servants of Akimat.*** Despite the gradual empowerment of *Maslikhats*, the public's trust in their representatives or *Deputies* remains very low, especially in cities. During the recent elections in 2016, the lowest turnout was in Almaty, with only 34.1% of the city's population participating in the elections (Vaal, 2016). There has been no change in the public perception of *Maslikhats* for the last 15 years. In 1998, city dwellers believed that elected politicians do not add any value to local decision making because they assumed that locally elected politicians are less efficient than local administrators: 35% of respondents found the work of city *Maslikhats* inefficient while 27% of respondents argued that the *Akimats* are inefficient (Center for Assistance to Democracy, 1998).<sup>12</sup> A social survey conducted in 2012 demonstrated that there is still low public trust: 80% of respondents answered that city *Maslikhat Deputies* do not play any considerable role in local government (Youth Information Service of Kazakhstan [YISK], 2013). The low public trust is mainly explained by the fact that they do not believe in the possibility of honest

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<sup>12</sup> The study conducted in seven large cities.

elections. There is a prevailing public belief that only certain candidates, having informal relationships with local civil servants, can become a *Deputy* (Aytkazinov, 2010).

The results of interviews suggest that city *Akims* are interested in influencing the local election to ensure the participation of only desirable candidates, competing for a position as a *Deputy of Maslikhats* (Deputies, personal communication, July 2016; May 2017). Since 2013, *Maslikhats* have been given the power not only to decide on the candidacy for a new *Akim*, but also to request the displacement of an *Akim* (Local Government Act, 2001, Article 23-1). One-fifth of the total number of *Maslikhat Deputies* is enough to raise the issue of the *Akim*'s dismissal. For example, only eight *Deputies* of the Almaty city *Maslikhat* are needed to address the displacement of the *Akim* to consideration to the President. However, so far there has been no case of *Akim* displacement initiated by the *Maslikhat*.

*Akims* continue to be the most influential decision-making actors because they represent the national government. Vested with the powers of local government and self-government, the *Akim* is responsible for socio-economic development of a city, the implementation of the national policy on the territory of the city, and the coordination of all territorial subdivisions of central government. The President appoints *Akims* of Almaty and Astana after a consultation with *Maslikhats*. The recent tendency is that former Prime Ministers of Kazakhstan become *Akims* of Almaty and Astana. *Akims* of Aktobe and South-Kazakhstan regions appoint *Akims* of Aktobe and Shymkent cities, respectively, after consultation with regional *Maslikhats*. Knowing that *Maslikhats* have been supplied with certain legal decision-making powers (see Table 4.1), *Akims* are interested in having trustworthy people among elected *Deputies* (Tatilya, 2016).

Table 4.1

*Decision-making power of Maslikhats*

Local administration	Local development	Local legislation
Approval of the candidacy for the post of <i>Akim</i> as well as request of replacement of <i>Akim</i>	Approval of local development plans and reports on its implementation, proposed by the <i>Akim</i>	Regulation of land use according to the Land Code
Approval of the structure of local administration - <i>Akimat</i> , proposed by the <i>Akim</i>	Approval of new administrative borders of a city, proposed by the <i>Akimat</i>	Approval of rules for regulating migration processes
Coordination of the personal composition of the corresponding <i>Akimat</i> , proposed by the <i>Akim</i>	Approval of local budgets and reports on its implementation, proposed by the <i>Akimat</i>	Approval of rules for the preparation for heating season and operating heating systems
Approval of the personal composition of consultative and advisory bodies on cross-disciplinary issues under the <i>Akimat</i> , proposed by <i>Akim</i>	Approval of the rate of payment for emissions to the environment, for the use of water resources of surface sources, for forest use, for the use of specially protected natural areas	Approval of rules for the maintenance and protection of green spaces
Appointment to the office of chairman and members of the city's auditing commission for five years, as well as their release from office	Decision-making on the creation of territorial councils of local self-government, approval of their composition and working rules	Approval of rules for the provision of social assistance to local population
Coordination of the candidacy for the post of head of the local police service, proposed by the <i>Akim</i>	Consideration of reports of heads of local executive bodies and local police	Approval of rules for keeping animals (pets), establishment of the boundaries of sanitary zones for keeping animals
Submission to relevant bodies a request on bringing to justice local level public officials and public organizations for non-fulfilment of decisions of <i>Maslikhat</i>	Approval of city physical development plan - <i>genplan</i> , proposed by the <i>Akimat</i>	Approval of rules for the city physical environment and infrastructure

*Note.* Developed by the author based on the Local Government and Self-government in the Republic of Kazakhstan Act, Pub. L. No. 148-II (January 23, 2001)

Seven out of ten interviewed *Deputies* mentioned that to obtain the *Deputy* mandate, it is also necessary to have good relations with the city *Akimat* (personal communication, July 2016; May 2017). Often, managerial level representatives of the *Akimat* predetermine a list of potential candidates for the *Maslikhat Deputy* positions, which is then submitted to the *Akim* for informal approval (Civil servants of *Akimats*, personal communication, June 2014; February 2015; July 2016). In Shymkent and Aktobe (which belong to the second tier of subnational government), informal acceptance by *Maslikhats* and *Akimats* from their respective regions is important if one wants to become a city *Deputy*. As stated by 60% of the interviewed *Deputies*, they were invited to become a *Deputy* of the city *Maslikhat* by colleagues from the city *Akimat* (personal communication, July 2016; May 2017). Local civil servants use their administrative capacities, not only to pre-select and support desirable candidates, but to create certain barriers for undesired candidates as well, undermining their capability of even entering the election. According to the interviewed *Deputies*, civil servants, taking managerial positions in *Akimat*, are especially interested in having controllable *Deputies* because of the *Maslikhats'* legal power to impact on the personal composition of *Akimats* (see Table 4.1).

*Akimats* prefer that the majority of *Maslikhat Deputies* are controllable (Civil servants of *Akimats*, personal communication, June 2014; February 2015; July 2016). There have been many cases when former workers of city *Akimat* and even lower-level *Akims* have become *Deputies* of regional *Maslikhats*. For example, Sania Kaldigulova, elected *Deputy* and *Maslikhat Secretary* of the Aktobe region in 2012, formerly worked as Vice-Head of the Aktobe city administration and was the first Vice-*Akim* of the city of

Aktobe (Aktobe Region Maslikhat, 2016). *Akimats* favour current or former state employees such as heads of state universities, public schools, and public hospitals to become *Deputies* of *Maslikhats* because it gives them ample opportunity to influence the *Deputies'* decisions (Civil servants of *Akimats*, personal communication, June 2014; February 2015; July 2016). For example, in Aktobe and Shymkent, civil servants may use budgetary tools because public finances are distributed to state agents via city *Akimats* or regional *Akimats* (Budget Code, 2008, Article 47). NGO leaders, closely working with the local population, represent a minority group of *Maslikhats* because they can hardly be controlled by *Akimats* (Experts from local NGOs, personal communication, June 2014; September 2015; June 2016).

***Deputies combining public position with own business.*** The most common feature among all studied city *Maslikhats* is that there is a constant growth of *Deputies* coming from the private sector. On average, *Maslikhats* of the selected cities are composed as follows: 65% businessmen, 25% state employees, and 10% NGO leaders (see Table 4.2). *Akimats* continue to execute control over *Maslikhats'* work, even after the election when they informally participate in the formation of special *Maslikhat* commissions and the selection of a *Maslikhat Secretary* (Civil servants of *Akimats*, personal communication, June 2014; February 2015; July 2016). *Maslikhats'* commissions supervising urban transport related issues are formed by the *Deputies* combining their public mandate with top-level managerial positions in private business. During the interviews, *Deputies* from these special commissions did not hide the fact that an *Akimat* or *Akim* had personally invited them to join the *Maslikhat* commission to help the *Maslikhat* using their managerial experience (personal communication, July 2016;

May, 2017). The same bias towards *Deputies* coming from the private sector has also appeared in the selection of the *Maslikhat Secretary* (Civil servants of Akimats, personal communication, June 2014; February 2015; July 2016). For example, Kairat Balabiev, who holds the position of paid *Maslikhat Secretary* of South-Kazakhstan Region, also participates in additional business activities. He is the founder of Headwai Incorporated and the Chairman of Kazakh Textile International, operating in the South-Kazakhstan region (South-Kazakhstan Maslikhat, 2016).

Table 4.2

*Composition of the Maslikhats (average percentage)*

First tier of subnational government	Second tier of subnational government	Businessmen	State employees	NGO leaders
Astana city		57 %	39 %	4 %
Almaty city		65 %	24 %	11 %
South-Kazakhstan Region		70 %	18 %	12 %
	Shymkent city	68 %	20 %	12 %
Aktobe Region		68 %	15 %	7 %
	Aktobe city	63 %	32 %	5 %

*Note.* Developed by the author based on the review of the *Deputies'* lists of Astana, Almaty, Aktobe, Shymkent, South-Kazakhstan and Aktobe regions over 20 years (1996-2016).

In Kazakhstan, the position of local *Deputy* is rising in popularity. During the 2016 election campaign, 11,133 residents of Kazakhstan (on average 3 candidates per position) expressed the desire to become *Deputies* of *Maslikhats*. That is 3,000 more candidates than in the previous elections in 2012 (Isabaeva, 2016). It is not clear if the public is attracted by the growing decision-making power of the *Maslikhat* in directing city development, or by the obvious advantage of using political power in favour of their business interests. Interviews with civil servants from the national government suggest

that the growing inflow of private actors in local *Maslikhats* takes place not only because of the *Akimats'* desire to have informally controlled decision makers, but also because there is an interest from private actors to be a part of the current informal decision-making that takes place in local governments (personal communication, June 2014; February 2015; February 2016).

Administrative barriers remain one of the main issues for doing business in Kazakhstan (World Bank, 2016). Therefore, knowing that the *Akim* and *Akimat* are interested in being in an informal alliance with local *Maslikhats*, businessmen are incentivized to propose their candidatures for becoming *Deputies* (*Deputies*, personal communication, July 2016; May 2017). As one of the *Deputies* stated: “the most attractive aspect of being a *Maslikhat Deputy* is the possibility of informal contact with *Akimat* representatives and *Akim* that allows the resolution of emerging issues, bypassing numerous bureaucratic obstacles”. Forming the majority of the local *Maslikhats*, *Deputies* initially interested in gaining from their public position and informally supported by local civil servants—discredit their representative role in the local government (Experts from local NGOs, personal communication, June 2014; September 2015; June 2016).

#### **4.4 Incapacity of locally elected politicians to serve public needs and be publicly accountable**

As the previous discussion demonstrates, in Kazakhstan, elections do not allow citizens to discipline *Maslikhat Deputies*. Instead, elections are used by *Akimats* to obtain control over *Deputies*. This discovery poses a new question: Is there any difference in the decision-making efficiency of politicians and bureaucrats if *Deputies* become part of an

informal alliance with *Akim* and *Akimat* at the election stage? In the case of Kazakhstan, where corruption in public procurement is widespread (Adylbekov, 2016), elected politicians who form informal coalitions with bureaucrats may not be interested in public support, but would use their local power to enrich themselves while in office (Putnam, Leonardi & Nanetti, 1994; Hudon & Garzón, 2016; Krueger, 1974). In this section, I focus on how *Akimats* and *Maslikhats* use decentralized public resources that are originally allocated for management of public transport and construction of local roads. My analysis rests on the assumption that the delegated decision-making power in the transport sector, in combination with the nationally established Public Procurement Act (2015), permits both *Akimats* and *Maslikhats* to work towards only personal gain, instead of the efficient provision of public goods. The purpose of this section is not only to reveal the hidden activity of *Maslikhat Deputies* that is often carried out in the shadows of the offices of the *Akimat* and *Maslikhat*, but to examine the level of accountability of local politicians in front of the public as well.

**Informal consensus between *Deputies*, civil servants and private actors leading to misuse of public resources.** In Kazakhstan, city governments are responsible for the distribution of public investment in the development of road networks, and the regulation of the work of public transport operators (Road Transport Act, 2003). *Akimats*' responsibilities include road rehabilitation and construction in local development plans and budgets, as well as identifying main routes that must be provided with public transport (Budget Code, 2008, Article 54). The city budget includes annual expenses to cover the maintenance and refurbishment of roads, special transfers for construction of new roads and road structures (multi-level intersections, pedestrian under & over ground

crossings, etc.), and the state compensation to refund the expenses related to trips made by vulnerable groups of people who are allowed to ride free in public transport.

*Maslikhats* are involved in the approval of *Akimats*' proposed road development and public investment plans as well as regulation of the travel cost per passenger, which must be used by a private transport operator<sup>13</sup>. After receiving internal approval from *Maslikhats*, *Akimats* contract private actors to implement works related to construction and rehabilitation of roads, and for operation of passenger transport through the public procurement system (Public Procurement Act, 2015, Article 13). To give an example, *Akimats* are responsible for contracting private companies to provide passenger trips on a five-year contract basis. These companies are selected based on public tender.

The contracting of private companies for delivering urban transport related services has started to be associated with high levels of corruption (Civil servants from National Bureau Against Corruption, personal communication, July 2016). In 2016, 65% of corruption cases registered in Almaty, Astana and Shymkent cities were related to the contracting of private companies for construction and rehabilitation of roads.<sup>14</sup> In most of the cases, the corruption is linked with the misuse of budgetary funds by civil servants or local politicians (Rose-Ackerman, 1999). The head of the Passenger Transport Department of the Astana city *Akimat*, Mr. Suleimenov, was sent to jail for six years for taking bribes from entrepreneurs in the total amount of KZT 2 million (USD 6 thousand) (TODAY KZ, 2016b). He received money from the private company for contracting

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<sup>13</sup> There are different costs for a ride in Shymkent (adults KZT 70, students KZT 50, children KZT 35), in Astana (adults trip on express busses KZT 150 and on ordinary buses KZT 90, for children on express busses KZT 70 and on ordinary buses KZT 40), and in Almaty (adults paying in cash KZT 150 and via special transport card KZT 80, for children and students KZT 40).

<sup>14</sup> Personal review of the court cases database, access provided by the National Bureau against corruption, June- August 2017

them to remove the special road safety equipment (interlocking speed hump). However, this service was not delivered in time and in the required quality.

The flexibility of the current legislation regulating public procurement procedures allows *Akimats* and *Maslikhats* to contract companies based on their subjective choice (Consultants, personal communication, April 2014; March 2015; May 2016). The Public Procurement Act (2015) allows local actors to choose between different types of public procurement such as “public tender” (competition), “request a price offer”, and “from a single source” (Article 13). Despite the presence of an electronic system for public procurement already in place, managers of public finances such as city *Akimats* can determine their own preference for public procurement internally. Not surprisingly, local civil servants of *Akimats* as well as *Deputies* use this centrally provided public procurement flexibility to obtain personal gains from the distribution of public money, originally assigned to the development of urban transport systems (Experts from local NGOs, personal communication, June 2014; September 2015; June 2016).

As practice shows, a *Deputy* who has a vested interest in directing public money to his/her business can use the knowledge of the allocated amount for a certain project to advice his own company to propose the lowest possible cost to win a public tender (Civil servants of *Akimats*, personal communication, June 2014; February 2015). This can be seen with well-known *Deputy* Mr. Bronislav Shin combined his public position of the *Deputy* of *Almaty Maslikhat* with running his own businesses (Civil servants of *Akimats*, personal communication, February 2015; July 2016). In 2013 the JSC *Almatyinzstroy* company, where Mr. Bronislav Shin served as the Chairman of the Board of Directors, received several public contracts such as the construction and reconstruction of the

heating system and channels of the Esentai and Big Almatinka Rivers in Almaty city (Forbes, 2014). The same year (2013), another company founded by Mr. Shin, the LLC AIS-Astana, won public tenders for the reconstruction of several highways in Astana city, amounting to KZT 10.1 billion (USD 66 million).

Recently, *Akimats* have started increasingly using the public procurement method called “from a single source”. According to the data of the Committee on Public Procurement, 80% of all public procurements are still being carried out “from a single source” (Ministry of Finance, 2016). In 2015, 94% of the money assigned for outsourcing of public services to the private sector via public procurement was carried out “from a single source”. As interviews revealed, most of the contracts in the transport sector in Astana, Almaty, Aktobe and Shymkent resulted not from a public tender, but “from a single source”, contracting a certain company without competition (Civil servants of Akimats, personal communication, June 2014; February 2015; July 2016). However, the public procurement “from a single source” can be conducted only in cases when public procurement through “public tender” (competition) and “request a price offer” have been declared invalid (Public Procurement Act, 2015, Article 39).

Local civil servants do their best to arrange for the failure of public tenders that then allows them to set up a contract with a pre-selected company “from a single source” (Civil servants of Akimats, personal communication, June 2014; February 2015; July 2016). Often this kind of manipulation negatively impacts the timeframe of the planned service delivery, leading to delays in road construction or rehabilitation services. This happens because a certain time is assigned for each bureaucratic procedure: two weeks for opening “public tender” and two weeks for documentation of its failure; two weeks

for opening a new call for “request a price offer” and two weeks for documentation of its failure; and then approximately one month to switch to contracting “from a single source”. In Almaty and Astana, transport planning experts complain that due to these bureaucratic procedures, road rehabilitation planned to be completed during the summer often is postponed to the fall, the busiest period when students return to school and people are returning to work (personal communication, July 2016).

As interviews with local civil servants suggest, another way of tailoring public tenders to a specific supplier is to develop special terms of reference (technical specifications) that include certain requirements under which only a pre-identified supplier can be a suitable partner (personal communication, June 2014; February 2015; July 2016). Some of the interviewed *Deputies* mentioned that LLC Kazakhdorstroy could serve as an example of a company winning public tenders based on the informal negotiation of terms of reference with local civil servants (personal communication, July 2016; May 2017). According to the information provided by Forbes (2014), LLC Kazakhdorstroy, established by the influential businessmen Mr. Aydin Rakhimbaev, received 11 public contracts for road construction during 2013. This amounted to KZT 125 billion (USD 822 million) of state money.

In terms of public tender for serving public transport routes, the main criteria for choosing the best contractor includes number and capacity of buses, reference letters (from *Akimat* confirming the quality of the formerly provided service), availability of a technical base for storage and maintenance and bus repairs (owned, leased or serviced under the contract), the proposed measures for the replacement of buses in the event of a malfunction in the course of a route, and other requirements (Ministry of Transport and

Communication, 2004). Not all private companies can supply city government with the required documents such as reference letter or availability of a technical base. However, *Deputies* can assist their transport companies to get all required documents to win a tender in shorter time (*Deputies*, personal communication, July 2016; May 2017). Mr. Meirzhan Undirgenov, serving at that time as the *Deputy* of the Aktobe regional *Maslikhat*, combined his *Deputy* position with managing a private company Autopark (Kruglova, 2017). The Autopark company was a consistent winner of public tenders for operation of almost all public transport routes of Aktobe city until 2016 when Mr. Undirgenov was convicted of fraud (Geest, 2016).

Mr. Undirgenov left his *Deputy* position because he was accused of falsifying documents that allowed his transport company Autopark to receive, in addition to normal profit, KZT 4.5 billion (around USD 30 million) of state compensation for serving passengers permitted to ride free (Geest, 2016). In Kazakhstan, special groups including disable people, retired people, children under seven years old, and mothers with more than five children have the right to use public transport for free (Ministry of Transport and Communication, 2004). Private operators can apply for and receive state compensation if they offer the exact number of rides made by these specific types of passengers. In most of the cities, the payment for the travel is given in cash directly to the drivers or their assistants, without proper tracking and documentation. Often, the absence of special equipment for registering the number of trips made by certain groups of people does not allow private operators to apply for the state compensation (*Consultants*, personal communication, April 2014; March 2015; May 2016).

Although many city governments are channeling public expenditures to transport-related projects, public resources are not being efficiently used to solve urban transport problems (Consultants, personal communication, April 2014; March 2015; May 2016). The hidden interests of civil servants and *Maslikhat Deputies* do not allow local governments to execute efficient management of the urban transport system. As interviews with consultants suggest (personal communication, April 2014; March 2015; May 2016), none of the studied cities' *Akimats* or *Maslikhats* fully supported the implementation of the consultants' proposal to assess the efficiency of the current public passenger transport routes during the last ten years (2006-2016). As a result, the improvement of public transport work continues to be one of the main urban development challenges in all large cities of Kazakhstan (UNDP/GEF, 2015; OECD, 2017). As one of the transport experts explains, "instead of spending KZT 100 billion (around USD 667 million) during 2012-2013 from the city budget on construction of new roads and interchanges that have not brought any considerable improvement, Almaty city government could invest in the proposed optimization of public transport routes".

The practice of lobbying preselected winners of public tenders by representatives of *Akimats* and *Maslikhats* leads to unequal competition and informal monopolization of the public infrastructure development sector in cities of Kazakhstan (Ades & Tella, 1999; Sharipova, 2013). The absence of competition does not allow for any improvement in the quality of public roads (see Figure 4.1 and Figure 4.2). Road construction companies do not have incentives to improve the delivered services because they know that all that is needed to get public tender is to come to a certain agreement with the local decision makers such the civil servants of *Akimat* or *Deputies* (Experts from local NGOs, personal

communication, June 2014; September 2015; June 2016). Conversely, the presence of roads in need of repair allows private companies to receive new rehabilitation contracts because local governments can re-apply for additional public funding on an annual basis (Consultants, personal communication, April 2014; March 2015; May 2016). As stated by one of the transport experts: “there is a constant attention to road construction affecting increased number of private vehicles, whereas, there is a low attention to the development of public transport system”.



*Figure 4.1* One of Astana City Roads after the Winter (2016). Reprinted from Vechernya Astana, Retrieved March 12, 2016 from: <http://vechastana.kz/sotsium/1003701-prishla-vesna-asfalt-rastayal/>. Copyright 2016 by Vechernya Astana.



*Figure 4.2* One of Aktobe City Roads after the Winter (2016). Reprinted from Aktobe Times, Retrieved March 12, 2016 from: <http://aktobetimes.kz/gorod/1927-posle-zimy-nekotorye-dorogi-prividetsya-rovnayat-greyderom.html>. Copyright 2016 by Aktobe Times. Reprinted with permission.

As the previous section demonstrated, local governments of Kazakhstan lack politically independent *Deputies* interested in efficient distribution of public money and power. On the contrary, local *Maslikhats* are mainly represented by *Deputies* combining their public mandates with own businesses. *Maslikhat Deputies* “... are not entitled to carry out entrepreneurial activity, participate independently in the management of an economic entity, engage in other paid activities” (Article 20, Local Government Act, 2001). However, the same Article 20 of the Local Government Act (2001) allows *Deputies* to combine the public mandate with “...pedagogical, scientific or other creative work”. In fact, locally elected politicians of Kazakhstan demonstrate high-levels of “creativity” by overlooking almost every publicly financed activity in favour of their personal benefits, even when their decisions stray from economically effective solutions. Such corrupt behavior of *Deputies* endangers the decentralized public resources that were initially earmarked for improving local public services (Bland, 2014). It also serves as an urgent signal for the government to pay attention to issues of public accountability regarding these businessmen-type *Deputies*.

***Deputies lacking public accountability.*** The national government has undertaken several public administration reforms to fight against corruption among civil servants, but there are no real measures against corruption regarding elected institutions such as *Maslikhats* (Combating of Corrupt Activities Act, 2015). There is a special national Code of Ethics for Civil Servants (2015), whereas *Deputies’* ethics are included in the locally developed rule that regulates the work of their respective *Maslikhats*. This rule, which was ironically developed and approved by *Maslikhats*, contains this statement: “a *Deputy* should not use the advantage of his *Deputy* status for personal purposes in relation with

state bodies and other organizations” (Almaty Maslikhat Res.222, 2014). Yet, the punishment for not practicing proper ethics includes just two light measures: “censure” and “public apology” (Local Government Act, 2001, Article 21). The *Maslikhat Deputies* are subject to the anti-corruption laws, which aim to prevent actions that may lead to a *Deputy* using a political position for their personal needs (Combating of Corrupt Activities Act, 2015, Article 12). The powers of a *Deputy* of the *Maslikhat* shall be terminated in the case of a conviction of a court for committing a crime or an intentional criminal offense (Local Government Act, 2001, Article 20.). However, the Local Government Act (2001) does not contain any provision for the early termination of powers of a *Deputy* for inefficiency and lack of accountability.

Legally, civil servants of *Akimats* (including *Akim*) are equally accountable to the national government, the general public, and *Maslikhats*, whereas nobody assesses the work of *Maslikhats* (Civil Service Act, 2015). In practice, there are annual public reports of *Akims*, but there are no public reports of *Deputies*. Conversely, every *Deputy* is only accountable before the district’s voters (Local Government Act, 2001), which is problematic considering that the interaction between *Deputies* and voters is poorly regulated. Legally, a *Deputy* must live in the corresponding city district and be in touch with the voters living in the same district, be open for “a personal reception of citizens”, take care of “voters’ requests”, and “inform voters about the work of the *Maslikhat* at least once a year” (Article 21). However, in practice, it is hard to find any *Deputy* in his/her office during so-called “reception hours”.<sup>15</sup> Most of the *Deputies* limit their interaction with the public to a single formal meeting hosted at a public school that is

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<sup>15</sup> Based on personal experience when I tried to get in touch with *Deputies* for interviewing by coming in during their reception hours in cities such as Almaty, Astana, and Shymkent.

well attended by parents, but not other demographics. A recent social survey demonstrates that only 2% of voters believed that *Deputies* could fulfil all promises made during the election campaign in full, or on time; 3% said that the *Deputies'* promises were partially or slowly implemented; 14% said that the *Deputies* did not fulfill their promises at all; and the rest of respondents (81%) did not know their representing *Deputies* and could not comment on their efficiency (YISK, 2013).

The public is not familiar with the activities of *Maslikhats* because they do not have access to the results of *Deputies'* work, and cannot freely participate in the *Maslikhat* working sessions. Legally, *Maslikhat* sessions have to be open to the public (Local Government Act, 2001, Articles 10, 11 and 13). However, in practice, citizens cannot freely enter the building of the *Akimat*, where *Maslikhat* sessions are hosted, without special permission. *Maslikhats* can regulate public access to their sessions by setting certain restrictions such as: “Representatives of the mass media, state bodies and public associations are allowed to attend the sessions at the invitation of the chairman of the session” (Almaty Maslikhat Res. 222, 2014). The minutes of *Maslikhat* sessions and conducted decisions are difficult to find on their official web sites.<sup>16</sup> Moreover, none of the four city *Maslikhats* has ever tried to host a session that is fully open for the public (*Deputies*, personal communication, July 2016; May 2017). The lack of transparency does not allow the public to monitor the performance of *Deputies*. As a result, the public cannot meaningfully participate in local elections or request early termination of any *Deputies'* powers.

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<sup>16</sup> Authors' finding based on the detailed study of the web-site of *Maslikhats* of Almaty, Astana, and Shymkent cities as well as Almaty, Akmola, South-Kazakhstan, and Aktobe regions.

## 4.5 Conclusion

As this study demonstrates, the empowerment of a local government representative such as the *Maslikhat* does not help to improve urban development. It was evident in the *Deputies*' inability to act independently from the *Akimat*, and the fact that they put their personal interests over public concerns. Despite the gradual empowerment of *Maslikhats*, public trust in their representative *Deputies* remains very low. This occurs because the current electoral practice at local levels in Kazakhstan does not allow for honest, genuine elections or politically independent *Deputies* in *Maslikhats*. *Akim* and *Akimats*, being interested in having control over *Deputies*, are informally involved in the process of forming *Maslikhats* by using their public positions to influence the outcome of local elections. Local civil servants use their administrative capacities to create advantages for the desired candidates as well as place pressure on undesired participants of elections. As a result, the *Deputy* position has started to be associated with a chance to be closer to the *Akim* and *Akimat*. Furthermore, *Deputies* coming from the private sector are especially attracted to the opportunity to get certain business advantages from being in a public office.

*Akimats* as well as *Deputies* are directly involved in the distribution of the public funds intended for the development of road networks and the regulation of work of public transport operators. However, they have started to use their public positions to channel public money to construction and transport companies, wherein they have private interests. Instead of guaranteeing honest competition, *Deputies* became involved in manipulating public procurement procedures and tailoring public tenders to pre-identified suppliers, including their own companies in some instances. As a result, winners of

public tenders for transport services continue to be the only companies that are funded, managed or selected by representatives of *Akimats* and *Maslikhats*. This leads to unequal competition and informal monopolization of the public infrastructure development sector at local levels of government in Kazakhstan. This type of biased use of local powers leads to considerable misuse of public funds for private profit, negatively affecting the local business environment, and limiting the improvement of the quality of transport infrastructure. At the same time, prevention of corruption in the public procurement processes at the local level of the government in Kazakhstan continues to be one of the weakest areas, not adequately covered by national anticorruption measures and public accountability reforms.

The lack of attention paid to how *Maslikhats* are formed and the current questionable use of powers in local economic development may create long-lasting obstacles for the establishment of transparent democracy at the local levels of Kazakhstan. The lack of transparency remains unchallenged, preventing efficient interaction between local government and the general public. The national government pushes *Akimats* to disclose local plans, budgets, and information about current development to limit corruption at the local level, whereas *Deputies* continue to be agents who are purely self-regulated. The current local government structure was inherited from the Soviet past without proper adjustment to the current needs of citizens. The ward-based election system does not allow *Maslikhats* to be held accountable by their citizens, but rather only to a small group of voters. Citizens' rights to free choice are limited by the inability of locally elected politicians or civil servants to make decisions in the public interest, resulting in a decrease of public trust in local government.

## CHAPTER 5: CONCLUSION

According to the political pronouncements of Kazakhstan's President and the national government, decentralization and urbanization are among the country's top development priorities. Despite recently introduced public administration and decentralization reforms, local governments continue to tackle many tasks in their daily practice without having adequate capacities, resources, or decision-making autonomy. Constrained by inadequate national legislation and rules, local governments are trying to find their own (often informal) ways to use their limited powers. The absence of a functioning decentralization strategy is leading to unexpected development outcomes that are lowering public trust in local and national governments.

The main contribution of this dissertation is the identification of key institutional weaknesses and obstacles faced by local governments of Kazakhstan in their management of urban development. Together, the three essays provide a broad picture of the effects of the administrative, fiscal and political reforms in the current reality of post-Soviet Kazakhstan. In terms of theoretical and practical implications, the results of case studies of cities and regions identified important policy issues requiring further fundamental policy research if Kazakhstan is to elaborate a truly workable decentralization strategy reflecting the actual needs of cities, regions, and the country as a whole.

Chapter 2 contributes to the theoretical discussion of the management of urban development by means of physical planning in post-Soviet Kazakhstan, as well as to understanding place-based challenges city governments are experiencing under partial

decentralization, which amounts to limited delegation of administrative responsibility and planning with scarce implementation tools. The findings of the study helped identify several challenges which appeared in Almaty city and Almaty region due to the delegation of urban planning to the city government while maintaining the Soviet tradition of *genplan* production based on nationally established rules. National guidelines for urban planning, tied to the provision of local services based on unified standards and norms, make it harder for local governments to focus on citizens and their practical needs. National sectoral policies for physical urban planning, environmental protection, economic planning, land management, taxation, and budgeting at the city level, prevents local governments from managing urban development in an integrated manner. In the absence of direct access to land regulation and budgeting of public projects, the Almaty city government failed to regulate city growth and establish a balance between public and private interests. Lacking fiscal incentives to generate revenue locally by using the existing city territory efficiently, the Almaty city government became interested in using *genplans* for the extension of its city borders, which led to the development of illegal construction and deterioration of the lived environment. The questions resulting from the main findings of Chapter 2 that require further detailed research are: (1) how can administrative decentralization of urban planning contribute to regional development and horizontal inter-governmental, mutually beneficial interaction between Almaty city and Almaty region; (2) what are administrative decentralization risks and rewards?

Chapter 3 contributes to the theoretical discussion of the impact of *megaprojects* on city development, and provides a clear picture of the actual challenges experienced by fiscally and politically weak city governments in accommodating *national projects*,

directly financed and supervised by the national government. The study demonstrated how the current system of fiscal redistribution, enabling Almaty and Astana city governments to rely on national transfers, creates warped incentives for city governments to host international events, despite a lack of knowledge on how to make these events beneficial for cities in a long run. The national government delegated supervision of *national projects* to temporary committees composed of national agents and city governments, without serious attention to their managerial capacities and the functional capacity of new urban infrastructure after hosting the event. Lacking fiscal autonomy and political power to express public interests, Astana and Almaty city governments had to adjust local development plans to accommodate *national projects*, even when new developments caused negative social, environmental, and cultural impacts on the cities. Consequently, the implementation of *national projects* resulted in wide public criticism and lowering of the public's trust in the national and local governments. The key questions raised by the findings of Chapter 3 for further detailed study are: (1) how to balance vertical, inter-governmental interests of national and local governments in urban development under global economic development pressure; (2) how might public finance evolve?

Chapter 4 contributes to the theoretical discussion on political decentralization, enhancement of local democracy, and the accountability of elected representatives of local governments in cities of Kazakhstan, still experiencing the transition from a Soviet to a market economy where the interests of private actors often dominate. The study showed how the absence of certain preconditions for honest elections, pro-public decision making, and transparent public accountability, hindered the role of the elected part of

local governments. Political decentralization, not supported by policies addressing public accountability and ethical conduct among elected *Deputies*, became serious obstacles to the improvement of local services. Elected *Deputies*, combining their public position with their own businesses, became involved in informal cooperation with civil servants of *Akimats* in allocating public money to obtain personal benefits. Thus, most of the nationally financed public transport services and road construction projects became distributed among a small group of businessmen. By operating with this hidden agenda that revolves solely around money, proper development of the public transport sector, as well as improvements of road construction, remained unachievable. The findings of Chapter 4 pose some critical questions such as: (1) how to improve efficiency, transparency, and accountability of the use of public funds at local levels of Kazakhstan; (2) what are the best ways for effective engagement with people in different cities and regions of the country?

Under pressure to position Kazakhstan among developed countries, the national government continues to initiate administrative, fiscal and political decentralization reforms in an ad hoc manner, driven by different sectoral policy objectives. By 2050, the country may achieve the aimed level of urbanization, but in the absence of strong local governments, uncontrolled city growth could take place at considerable long-lasting social, environmental and economic costs for the local populations. As the case studies showed, local governments of Kazakhstan cannot be efficient planners and managers of urban development if they are not supplied with own development budgets or local taxing power (Chapter 2); if they remain dependent on national transfers allocated by the national government based on its priorities rather than local development needs (Chapter

3); and if they are accountable to the national government, rather than to local voters and taxpayers (Chapter 4). The key practical implication of the thesis is that it highlights an emerging, urgent need for a single workable decentralization strategy in Kazakhstan aiming to eliminate key administrative, fiscal and political obstacles hampering the capacity of local governments to coherently reflect local needs.

If the national government wants to concentrate economic resources in urban agglomerations, it is better to supply local governments with resources and powers to manage urban development in an efficient way. As shown, the delegation of additional responsibilities to local governments does not help to strengthen the role of local governments, in the absence of adequate institutional conditions for the management of urban development based on local needs. The national government could start from the revision of the actual administrative functions of local governments to improve their current urban management practices. Special attention would need to be paid to the access of local governments to key resources required for the proper implementation of their assigned managerial duties. It is equally important to delegate the use of these key resources to local governments and incentivize them with mechanisms to manage these resources efficiently.

While implementing administrative decentralization, the national government could grant local governments more political and fiscal autonomy, enabling them to respond promptly to urgent local development needs. Delegation of a specific service delivery cannot help improve local government efficiency if other local decision-making processes related to the implementation of their delegated duty are still constrained by national legislation. Current national legal and normative frameworks guiding urban

planning must not be adopted without being questioned, they have to be carefully re-assessed and adjusted to local needs. Decentralization reforms are better introduced with careful attention to local needs and empowerment of locally developed plans and rules, rather than continuous amendment of national level regulation, leading to further sectoral segregation and legislative confusion. A better solution than dependency on the unified standards and norms, would be for city governments to elaborate new planning and development processes themselves. The logical integration of planning, taxation, budgeting, land use, and urban transport in the hands of local governments may help supply them with workable managerial and regulatory tools for a proper balancing of public and private needs (Chapter 2). Delegation of policy making and fiscal powers to local governments will help local governments to focus on citizens, and the practical needs of their key taxpayers (Chapter 3). Political empowerment of local governments, supplied with a mechanism of direct accountability of local decision-makers to their voters and taxpayers will permit effective integration of public input into local policy making (Chapter 4). Local policies and rules based on public inputs can become strong tools for the regulation of urban development in a transparent manner.

The national government of Kazakhstan would benefit more from urbanisation if it paid better attention to the improvement of current planning, public investment and local decision-making practices. The delegation of new functions and powers to the local governments should be complemented by the development of local capacities. The best solution could be to start a capacity building campaign to fill local institutions with professionals who are trained to deal with complex issues affecting cities (Chapter 2). National and local governments are better off if they invest in the development of human

capacity by educating proactive planners and managers. They would then be able to promote good planning and urban management practices based on strong economic, social, and environmental assessments. They would learn how to carry out planning and management of urban development in cooperation with key stakeholders, and how to better to integrate public inputs in the daily management of urban development. Local governments can better implement *national projects* beneficial for the local population if they obtain adequate financial skill and political knowledge, for example, about megaprojects (Chapter 3). Public accountability of elected *Deputies* can be improved if they are trained on how to establish a transparent, horizontal and effective dialogue with local voters for open discussion of local development plans, locally produced rules and local budgets (Chapter 4).

The case studies helped to identify weaknesses of local governments in the locally rooted policy functions such as urban planning, public investment in *national projects*, and the management of urban transport. Instead of partial delegation of power under the preserved top-down control, the national government could enable city government to lead urban development by creating adequate incentives to promote sustainable urban development. Additionally, investment in the development of the managerial and planning capacities of city governments, together with delegation of administrative, fiscal and political power, could lead to a more efficient use of existing urban spaces and local resources (Chapter 2). New plans and new construction well-alignment to the needs of the local population are less likely to lead to publicly ineffectual outcomes (Chapter 3). The introduction of a new evidence-based and consultative system would enable the national and local governments to concentrate their attention on a careful assessment and

analysis of proposed large-scale urban projects in terms of their feasibility and long-term effects. Economic opportunities for all are more likely to appear if there are improved institutional conditions for effective and transparent interaction among assigned and elected parts of local governments. This would be especially true if management of urban development could be carried out with the proper consideration of not only short-term, but also long-term, urban development concerns.

The dissertation obviously does not advocate extreme decentralization or detachment of local governments from national government priorities. Kazakhstani cities are not economically strong to survive on their own, and they require some national level support. Therefore, the dissertation highlights some of the possible risks associated with centralization in the context of case study cities and regions of Kazakhstan, but it does not include any detailed analysis of possible dangers of excessive decentralization. We did not include comparative analysis of Kazakhstani decentralization with decentralization implemented in the other post-Soviet countries, because in each of these countries decentralization reforms were implemented with different objectives. The main rationale of the thesis was to conduct country-specific, exploratory studies to identify the actual role of local governments in the management of urban development in Kazakhstan. Therefore, the main attention was paid to only those functions of local government which are related to urban management and which were affected by the nationally initiated decentralization reforms specific to Kazakhstan. The thesis does not include any best practices or suggestions for structural improvements based on the experience of other countries, because they may not work well in the Kazakhstan context. However, those practices and models may exist, and would be worthy of study. This dissertation is

therefore just a start of broader policy research focusing on how Central Asian countries can find their own decentralization strategies and pathways to help their cities move toward, and contribute to sustainable economic growth.

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