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CITIES AND LOCAL GOVERNMENTS IN CENTRAL ASIA

Administrative, Fiscal, and Political Urban
Battles

Madina Junussova



Cities and Local Governments in Central Asia

This book presents the changing roles of urban governments and how local governments struggle to gain administrative, fiscal, and political power to combat current urban challenges in Kazakhstan.

Focusing on the cities and regions selected by the national government of Kazakhstan to be the drivers of national economic development, the author analyses the impact of decentralization on the role of local governments. The book examines the practical experiences of city and regional governments with an emphasis on urban planning, public investment in national projects, and management of urban transport. Due to the complexity and irregular distribution of political reforms at different levels of local government in Kazakhstan, three separate studies are presented, each looking at a specific aspect of decentralization reform and local government function related to physical urban development and distribution of public investment. The author argues that, if the national government of Kazakhstan wants to concentrate economic resources in urban agglomerations, it is not enough to assume that local governments are ready to play the role of efficient planners and managers of urban development.

A useful analysis illustrating cities and urban conglomerations as engines of growth in economic development, this book will be of interest to academics studying Central Asian Studies, in particular political and economic development, Development Studies, and Urban Studies.

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**Administrative, Fiscal, and
Political Urban Battles**

Madina Junussova

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1 The changing roles of cities and local governments

This book is written based on my doctoral dissertation and it aims to discuss the role of local governments in national development in the Central Asian context. The book shows how decentralisation aiming all subnational governments has a different impact on the city and regional governments. It includes the assessment of why city governments fail to provide local needs despite continuous administrative, fiscal, and political reforms. The book does not aim to call for devolution and extreme independence of local governments; rather, it emphasises the importance of intergovernmental cooperation for addressing urban development needs. The book focuses on the actual local practices and includes the results of place-based case studies in four cities and four regions of Kazakhstan. It gives a detailed picture of practical activities of local governments dealing with urban planning, implementation of national projects, and management of urban transport. The book does not aim to test, approve, or disapprove any western decentralisation theories, but it introduces clarity about how urbanisation-driven decentralisation in the Central Asian context influences local development.

Decentralisation reforms came to Central Asian countries together with external international aid. Since the 1970s, scholars have started to advise local governments to maintain a certain level of independence to achieve more effective and efficient economic development (Rondinelli & Nellis, 1986). Close to the 1980s, decentralisation or the ‘empowering local governments’ concept became a vital part of the external aid for all developing countries despite their differing social and economic traditions. Decentralisation was not something that evolved naturally from inside the Central Asian countries, but it rather formed part of political and economic reforms imposed by the national government during the economic liberalisation process.

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In many cases, decentralisation and reduction of central government control were proposed by international donors along with the economic liberalisation as the key preconditions of positive economic growth. The World Bank (1997) took a lead in this initiative revealing that economic activity was stronger in those countries that enjoyed high levels of decentralisation. Decentralisation was prescribed as the key economic development precondition because (a) it empowers underrepresented groups such as local entrepreneurs and local population; (b) it forces intergovernmental competition and improves public service delivery; and (c) it creates better conditions for economic growth and foreign direct investment (Ayres, 1997). Countries with different political regimes started to experiment with decentralisation reforms without an adequate understanding of what would be a real policy outcome in their specific political context (Rees & Hossain, 2010). Among Central Asian countries, Kazakhstan took a lead in testing decentralisation reforms aiming to foster the role of local government in the national economic development.

Kazakhstan became a part of the international decentralisation development agenda in the 1990s, right after the collapse of the Soviet Union. The lack of knowledge and experience regarding new market economic conditions made Kazakhstan's government dependent on the external knowledge and technical assistance from the international aid organisations, including the International Monetary Fund (Kalyuzhnova, 1998). Kazakhstan had to balance between the establishment of a strong central government as a part of nation-building process and decentralisation reforms required for entering the global economy. The country government started with privatisation reforms (1991–2000) aimed to develop local level markets almost from zero. Locally assigned administrators of regions and cities obtained decision-making powers to implement privatisation of collectively owned properties. Since that time, local level actors have started to be actively involved in the country's economic development.

Decentralisation reforms and role of local government

Decentralisation is rooted in the free market economy idea that if decision-making autonomy is delegated to local governments, they can be more efficient in responding to local needs due to their proximity to their constituents (Mills, 1861). The idea of fiscal decentralisation originated from the American theory of fiscal federalism focusing on maximisation of social welfare (Oates, 1972). Fiscal decentralisation theories are based on the belief that local governments are better

informed about local development needs than the central government. Development needs differ from one locality to another; therefore, local public good provision was suggested to be better tailored to the requirement of the local population by local governments rather than a national government (Hayek, 1945). Under the condition of fiscal decentralisation, even if one locality cannot match the needs of individuals, individuals can move to another locality where their needs are better satisfied (Tiebout, 1956). It is assumed that local governments, which are provided with fiscal autonomy and adequate incentives to mobilise local economic resources such as taxation power, can increase local revenue (Brennan & Buchanan, 1980). As a result, local governments are found more efficient for setting and collecting taxes as well as managing local budgets (Oates, 1999).

Proponents of political decentralisation argue that fiscal decentralisation cannot lead to the efficient allocation of resources by local governments towards local people needs if there are no mechanisms of making local governments accountable to the local population (Litvack, Ahmad, & Bird, 1998). Scholars emphasise the need for institutional arrangements enabling people to keep local decision-makers accountable (Reid, 2019; Smoke, 2015). The assumption is that the citizens of a locality control a local politician that privately obtains the relevant information and directly implements local policy (Faguet, 2014). It is expected that voting at local elections make it possible for the population to express its satisfaction or dissatisfaction with local government (Kulipossa, 2004). Political decentralisation proponents continue to emphasise the role of elected politicians and empowering them with political autonomy, whereas appointed bureaucrats are perceived as pure implementers of the decisions of politicians.

Public administration scholars argue that it can be dangerous to underestimate the role of local bureaucrats who can be active actors pursuing their development interests (Aberbach, Putnam, & Rockman, 1981). Critiques advocate that even fiscally and politically independent local government may not function properly in the absence of adequate administrative capacity (Fukuyama, 2013; Manor, 1999). The idea of administrative decentralisation is rooted in public administration theories focusing on bureaucracies and their public administration expertise (Weber, 1968). Administrative decentralisation includes the delegation of a certain decision-making autonomy to local governments that enables them to initiate, approve, and enforce regulations related to local development within their jurisdiction (Yilmaz, Beris, & Serrano-Berthet, 2010). The main assumption is that local level civil servants play an important role because the implementation

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of local policies and enforcement of local rules depend highly on the locally available expert capacities of bureaucrats.

Despite the strong logical linkage between administrative, fiscal, and political decentralisation reforms, they are rarely adopted by a country at the same time or form a solid decentralisation strategy (Eaton, Kaiser, & Smoke, 2011). In some countries, subnational politicians continue to be elected by people, but they are not always given any real opportunities to use their positions to assist local development because local elected representatives are not supplied with fiscal or regulatory powers. In many cases of administrative decentralisation, subnational level bureaucrats get new responsibilities, but they do not always get adequate fiscal resources or regulatory independence. There are also cases when subnational governments obtain certain fiscal and administrative autonomy without political empowerment. Therefore, the assessment of the cumulative impact of the country's adopted administrative, fiscal, and political decentralisation reforms requires careful attention to what accepted decentralisation level was aimed at by the national government.

There are three levels of decentralisation aiming to empower local governments: deconcentration, delegation, and devolution (Rondinelli, 1981). Deconcentration is defined as the lightest decentralisation form that includes the creation of local units of higher level governments to shift the workload from central to local government. Delegation is a more extensive form of decentralisation because it includes empowering local governments with decision-making related to planning and implementing specific activities within the limits of their subordinate territory. Delegation is often associated with administrative decentralisation reforms when the countries with a centralised public administration devolve some responsibilities to subnational governments. Devolution is the most extensive form of decentralisation that enables local governments to act as independently from central government decision-making agents as possible and be accountable only to their local constituents. Devolution involves political reforms empowering the electorate of local governments to make them accountable to the public fiscal reforms such as the freedom of local levels of governments to impose taxation and to generate revenues.

The theory suggests that in the case of countries with a unitary form of governance, national governments introducing decentralisation reforms do not always aim at full devolution. The main critique of decentralisation reforms, transferred from countries with western democratic rules to countries with different regimes, is that there is

a certain gap in investigating incentives for national and local actors (Eaton et al., 2011). Democratisation is not always the driving motive; national governments can have different interests, and they can impact differently on outcomes from decentralisation reforms. Here, it is worth mentioning that in the case of Kazakhstan, the key decentralisation motivation of the national government was economic development, whereas empowerment of local governments became a subject of regional policy discussion mainly due to recent prourbanisation development trends.

Despite proposed positive effects from decentralisation on economic development by scholars, there are conflicting findings of their real impact on development. For example, some empirical studies showed a positive effect from fiscal decentralisation on local economic growth (Gemmell, Kneller, & Sanz, 2013; Qiao, Martinez-Vazquez, & Xu, 2008; Yilmaz, 1999). Conversely, other studies confirmed that there is no significant relationship or negative impact of fiscal federalism on local economic growth (Baskaran & Feld, 2013; Thiessen, 2005; Woller & Phillips, 1998). Even in the case of one country such as China, some scholars showed that delegation of revenue and expenditure assignments to the subnational levels is associated with low provincial economic growth (Zhang & Zou, 1998, 2001), whereas other scholars found that fiscal empowerment of provinces positively contributed to economic growth (Jin & Zou, 2005; Lin & Liu, 2000). In many cases, these conflicting findings appear because of the high level of generalisation used in comparative analysis.

Consequences of generalisation of decentralisation at the level of the country can be especially misleading when national reforms aim to empower not only regional governments but also city governments. Cities appeared at the core of the debate around the possible dangers of decentralisation when decentralisation to cities was treated in the same way as decentralisation to villages (Prud'homme, 1995, p. 214). For example, fiscal autonomy can be better utilised by cities which have a stronger tax base than smaller towns or rural areas. Uniform empowering of local governments may not operate well in the context of specific countries, and instead of positive economic development may lead to increased regional disparity, lack of social and economic stability, and inefficient public administration. For example, in the case of Indonesia, the decentralisation effect was different for local governments because 'privileged cities' were given direct autonomy, bypassing the regional level of government (Miller, 2013). According to Miller (2013), it led to another type of territorial centralisation: '...cities have been able to reinvent themselves as new centers in

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planning, practice and innovation’ while the other local level administrators ‘continue to lag behind’ (p. 834). Therefore, scholars invite to pay attention to different economic bases and capacities of urban and rural areas and contradictory impacts of decentralisation on cities and regions.

Urbanisation-driven decentralisation and urban governance

Urbanisation is turning out to be the major globalisation trend affecting decentralisation in both democratic and authoritarian countries (Organisation for Economic Co-operation and Development [OECD], 2019). Modern cities play key roles in the economic development of countries worldwide, and scholars argue that they have a better ability to become self-governed autonomic entities. Cities enjoyed great wealth long before any national welfare had even appeared: ‘...the cities generally became independent republics and conquered all the nobility in their neighbourhood...’ (Smith, 1937, p. 325). Jacobs (1984) argued that cities must be recognised as key agents of wealth creation. Moreover, she claimed that the economic function of cities is sometimes stronger than the overall economy of the country of their origin. Scholars emphasised that the economic power of cities can develop despite any administrative or other local constraints established by the national government (Ohmae, 1995). This city-driven explanation of possible economic independence became a key element of assuming the possibility of having local independence and being part of wider decentralisation (Rowat, 1980). Decentralisation is approached as the main precondition of ‘what national governments can do—and should not do—if they want to foster urban economic growth’ (Altaf et al., 1999, p. 126).

The changing roles of the city governments are advised to be important to consider for a possible correction of the decentralisation course. Modern cities have started to change the course of global economic development (Sassen, 1991). 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). Large cities are recognised as favourable places for doing business, as they permit low transaction costs and have large concentrations of consumers (Scott, 1998). Cities are viewed as the most attractive places for people to live since they have a more diverse economy that provides a wide range of choices and opportunities (Taylor & Derudder, 2004). In addition to their economic exception,

modern cities also represent complex political spaces of interaction of diverse international, national, and local interests.

City governments roles are getting more and more complex due to their need to manage change, attract new development, redevelop, and revitalise the community, improve quality of life as well as promote long-term community well-being (Banovetz, 2004). City governments are expected to be able to facilitate community development, including improvement of living conditions of the local communities and promotion of a common sense of mutually beneficial development (Blakely & Leigh, 2013). City governments are requested to provide social support for enabling the local population to participate in development (Gilothe, 1993). The role of city governments is to create special institutional and physical conditions to stimulate private sector development (Bartik, 1992). However, city governments are not always able to fulfil all new roles as they are constrained by their lack of administrative, fiscal, and political powers. As a result, instead of expected positive effects, urbanisation leads to negative effects on national economic development.

In the case of Kazakhstan, it is important to consider the role of city governments that are at the core of all decentralisation reforms implemented in the country. Moreover, the national government continues to favour cities as a part of its new regional policy. According to the country's *Strategy 2050*, Kazakhstan aims to become one of the 30 most developed countries by 2050 with 70% of the total population living in urban areas (Nazarbayev, 2012). In 2014, the Kazakhstani government approved the national *Development of Regions until 2020* programme, with the objective of creating four urban agglomerations around the cities of Almaty, Nur-Sultan¹ (former Astana), Shymkent,² and Aktobe (Government Resolution of the Republic of Kazakhstan No.728, 2014). This type of restructuring national and regional economic development has created an evolving policy landscape against which city governments must continue to manage urban development. In particular, such prourbanisation policy prompts the question whether there are adequate decentralisation conditions to provide a more concentrated population with services of high quality (Nellis, 2014).

Modern Kazakhstan represents a case wherein city 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 and Self-government Act of the Republic of Kazakhstan No.148-II, 2001, Article 26). City governments are accountable for territorial development that integrates land

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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, city governments have recently had to become facilitators of local business development. However, local citizens are not usually satisfied with these services provided by city governments (Makhmutova, 2006). There is still a general lack of qualified staff and institutional capacities (Wilson, Gardner, Kurganbaeva, & Sakharchuk, 2002). Given these challenges, along with a national development strategy that emphasises the role of cities in national economic development, the role of local governments in the economic development of Kazakhstan needs to be reexamined.

According to the political pronouncements of Kazakhstan's former President Nazarbayev and the national government, decentralisation and urbanisation are among the country's top development priorities. Despite recently introduced public administration and decentralisation 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. 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.

Filling the knowledge gap about decentralisation effects on city governments

There is a heated discussion among international development scholars about 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 & Nørgaard, 2004). The lack of public accountability, corruption, and insufficient public participation in decision-making hinder the positive impacts of decentralisation on development (Bhuiyan, 2010). The local governments do not have discretion in terms of fiscal autonomy and are dependent heavily on the central administration. The formal appointment of heads of local governments makes human resource management the main instrument of controlling power in local governments (Libman, 2013).

In contrast, some scholars argue that local governments of Kazakhstan can be more influential and powerful than they might first appear (Aidapkelov, 2010; Asanov, 2006; Emrich-Bakenova, 2009; Sharipbaev, 2002). Hess (2013) argues that compared to other nondemocratic nations, Kazakhstan is a more fiscally and administratively decentralised state. Busygina, Filippov, and Taukebaeva (2017) agree and add that in 2015 the regions kept 33.6% of all taxes collected. The recently implemented election of villages' heads is a crucial step towards fostering decision-making (OECD, 2017). However, scholars studying local governments still focus mainly on formal top-down public administration reforms of the country as a whole (Darkhambaeva, 2010; Omarov, 2006), while actual local practical activities of the city and regional governments of Kazakhstan are not properly discussed (Ibraeva & Nezhina, 2013; Johannes, 2014).

Decentralisation is a process with many dimensions that may have different impacts on the quality of local governance (Litvack et al., 1998; Schneider, 2006). In the case of Kazakhstan, with its ongoing process of decentralisation, it is important not to aggregate administrative, fiscal, and political dimensions. There would be a risk of drawing incorrect conclusions about the impact of decentralisation 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 responsibilities that cannot be overlooked (Banovetz, 2004; Miller, 2013). Despite the assumed uniformity of decentralisation, detailed attention to each decentralisation 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 decentralisation studies that can help clarify if any of the implemented decentralisation reforms could affect significant local government practices by making them more efficient.

The main objective of the book is to enable the reader to understand the role of local government in economic development by looking at the daily practical experiences of the city and regional governments. The book focuses on specific functions, such as urban planning, public investment in national projects, and management of urban transport because of their ongoing decentralisation 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. Chapter 2 aims to introduce the country's background and the nature of the ongoing

administrative, fiscal, and political reforms and their impact on changing roles of local governments. Due to the complexity and irregular distribution of administrative, fiscal, and political reforms at different levels of local government, Chapters 3 to 5 explore a specific sector of decentralisation reform and a selected local government function related to physical urban development and distribution of public investment. Chapters 3 to 5 present empirical work of evaluating the impact of different decentralisation reforms on the role of local governments in economic development. The overall theoretical framework is based on decentralisation studies, but each study also employs additional theoretical and practical findings from the literature on local economic development, urban policies, urban planning (see Chapter 3), *megaprojects* (see Chapter 4), and democratic government (see Chapter 5).

Chapter 3 examines administrative decentralisation and studies how the Almaty City and Almaty regional governments could use delegated urban planning for the management of urban development. It contributes to the theoretical discussion of the management of urban development and physical planning in post-Soviet Kazakhstan, as well as to understanding place-based challenges city governments are experiencing under partial decentralisation, which is due to the 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. 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.

Chapter 4 assesses the local fiscal conditions by exploring how Almaty and Nur-Sultan governments could use the national transfers provided for the implementation of *national projects* to benefit cities. It 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 demonstrates how the current system of fiscal redistribution, enabling Almaty and Nur-Sultan 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 the 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.

Chapter 5 focuses on political decentralisation reforms and answers questions regarding how capable elected representatives from Almaty, Nur-Sultan, Shymkent, and Aktobe City governments are of managing urban transport based on public needs. It contributes to the theoretical discussion on political decentralisation, enhancement of local democracy, and accountability of elected representatives of local governments in cities of Kazakhstan, still experiencing the transition from the Soviet to a market economy where the interests of private actors often dominate. The study underlying this chapter shows how the absence of certain preconditions of honest elections, propublic decision-making, and transparent public accountability is hindering the role of the electorate of local governments. Political decentralisation, not supported by policies addressing public accountability and ethical conduct among elected *Deputies*, became serious obstacles to the improvement of local services.

The main contribution of the book is the identification of key institutional weaknesses and obstacles local governments of Kazakhstan are facing in their management of urban development. It provides 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 findings of case studies can be useful if Kazakhstan is to elaborate a truly workable decentralisation strategy reflecting the actual needs of cities, regions, and the country.

Notes

- 1 In 2019, Astana was renamed to Nur-Sultan (Presidential Executive Decree of the Republic of Kazakhstan No.6, 2019).
- 2 In 2018, when the population of Shymkent City reached 1 million people, the city obtained a special status and the city government moved from the second to the first tier of the subnational government (Presidential Executive Decree of the Republic of Kazakhstan No.702, 2018). Shymkent City was separated from the South Kazakhstan Region that was renamed to Turkestan Region.

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2 Uncovering administrative, fiscal, and political powers of local governments in Kazakhstan

The book focuses on the role of local governments responsible for the development of Almaty, Nur-Sultan, Shymkent, and Aktobe cities selected by the national government to boost economic development by serving driving cores of four urban agglomerations (Government Resolution of the Republic of Kazakhstan No.728, 2014). There are three tiers of subnational government in Kazakhstan (see Table 2.1). Almaty, Nur-Sultan, and Shymkent City governments belong to the first tier of the subnational government of Kazakhstan that makes them equal to 14 regional governments. Aktobe City government belongs to the second tier of the subnational government, and it is subordinated to Aktobe Region government. The governmental structures of first and second tiers of subnational governments of Kazakhstan are called local governments. The local governments of cities and regions are constituted by local representative bodies called *Maslikhats* and local executive bodies called *Akimats* (Local Government and Self-government Act of the Republic of Kazakhstan No.148-II, 2001, Article 2-1).

Deputies forming city and region *Maslikhats* are elected by the population, based on universal, equal, direct suffrage by secret ballot for a period of 5 years (Constitution of the Republic of Kazakhstan, 1995, Article 86). There is a ward-based election system wherein the electoral districts are formed taking account of the administrative division of Kazakhstan. Any citizen of Kazakhstan who has reached the age of 20 may be elected as a *Deputy* of the *Maslikhat*, but he/she is allowed to be a *Deputy* of only one *Maslikhat*. Each electoral district of a city or a region has approximately the same number of voters. The difference in the number of voters in electoral districts should not exceed 15% of the average number of voters for each *Deputy* mandate in this administrative-territorial unit (Constitutional Act on Elections No.2464, 1995, Article 23). Almaty City has the largest number of

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Table 2.1 Three Tiers of Subnational Government of Kazakhstan

| <i>The first tier of subnational government</i> | | |
|---|--|--|
| 14 regions (called <i>oblasts</i>) 3 cities: Nur-Sultan, Almaty, and Shymkent | Regional level local government | |
| | Representative body <i>Maslikhat</i> | Executive body <i>Akimat</i> |
| | <i>Maslikhat</i> monitors the provision of local services, approves local budget and development plans | <i>Akimat</i> is responsible for provision of local services, planning of local budget and development |
| <i>The second tier of subnational government</i> | | |
| 175 subregional districts (called <i>rayons</i>) and 87 cities | District level local government | |
| | Representative body <i>Maslikhat</i> | Executive body <i>Akimat</i> |
| | <i>Maslikhat</i> monitors the provision of local services | <i>Akimat</i> is responsible for provision of local services |
| <i>The third tier of subnational government</i> | | |
| 34 settlements and 6,904 villages | Rural level local government | |
| | <i>Akims</i> | |
| | Since 2013, rural level <i>Akims</i> are elected by <i>Deputies</i> of district (city) <i>Maslikhats</i> | |

Note: Developed by the author based on the *Local Government and Self-government Act of the Republic of Kazakhstan No.148-II* (2001).

Table 2.2 The Number of Local Elected Deputies by Cities, 2016

| <i>Name of the city</i> | <i>Total amount of population</i> | <i>Number of Deputies of Maslikhat/ electoral districts</i> | <i>Number of people per electoral district</i> |
|-------------------------|-----------------------------------|---|--|
| Almaty | 1,683,048 | 37 | 45,488 |
| Nur-Sultan | 867,790 | 25 | 34,712 |
| Shymkent | 877,455 | 26 | 33,748 |
| Aktobe | 510,568 | 23 | 22,199 |

Note: Developed by the author based on the data taken from official websites of Almaty, Nur-Sultan, Shymkent, and Aktobe cities' *Akimats* and *Maslikhats*.

Maslikhat Deputies (37 representatives) and Aktobe City has the lowest number of *Maslikhat Deputies* (23 representatives) (see Table 2.2). In 2016, the number of people per electoral district in Almaty (45,488 people) was two times more than in Aktobe (22,199 people).

Maslikhats serve as local councils working close with the local administration (Komarov, 2010). The main work of the *Deputies* is carried out during the *Maslikhat* sessions managed by permanent committees formed by *Deputies* of *Maslikhat*. For example, Almaty City *Maslikhat* has six committees consisting of five to seven *Deputies* working on economic development and budgeting, employment and development of transport, construction and land use, entrepreneurship and communal utilities, local self-government and housing, and social and cultural development. Each year the *Deputies* must hold at least four mandatory meetings (Local Government and Self-government Act of the Republic of Kazakhstan No.148-II, 2001). *Deputies* can also meet during additional sessions, which need to be announced 5 days before the meeting.

The powers of a *Deputy* can be terminated early if he/she does not fulfil his/her duties regularly, including being absent from *Maslikhat* sessions more than three times (Local Government and Self-government Act of the Republic of Kazakhstan No.148-II, 2001, Article 20). The President¹ of the Republic has the authority to dismiss a *Maslikhat* before its official termination dates, after consultations with the Prime Minister and the Chair of the Chambers of the Parliament.² The most recent early termination of local *Maslikhats* by the President took place in 2016, a year after the early election of the country President (Presidential Executive Decree of the Republic of Kazakhstan No.181, 2016). Unfortunately, the Presidential decree about dissolution was made without informing the public about reasons. The local politicians assumed that this kind of *ad hoc* dismissal could be caused by the overall dissatisfaction of the President and public with the work of *Maslikhats* (Personal communication with Deputies of Almaty *Maslikhat*, March 2017). *Maslikhats* can terminate their work at any time if they decide to dissolve. Until now, there was no case of self-dissolution of *Maslikhats* in Kazakhstan.

The *Akimat* represents a bureaucratic apparatus that is responsible for local public administration. Besides *Akimat*, there are also several regional and local branches of the central government (departments of the ministries). The *Akim* has the power to change the local administration organisational structure and appoint local civil servants, but only after receiving the official approval by the local *Maslikhat*. The President of Kazakhstan appoints *Akims*—heads of cities and regions belonging to the first tier of subnational government—and these *Akims* are directly subordinated to the President. *Akims* of Almaty, Nur-Sultan, and Shymkent are appointed directly by the President, but only after a candidate for the position of *Akim* has been approved by the regional/city *Maslikhat*. The Aktobe City *Akim* is assigned by the regional administration and the candidate for the position of

Akim has to be approved first by the city *Maslikhat*. The rural *Akims* are elected by the *Deputies* of district (city) *Maslikhats* who form an electoral college (Presidential Executive Decree of the Republic of Kazakhstan No.86, 2011).

The locally elected *Deputies* are represented at the national level by taking seats in the country Parliament. Until 2007, *Deputies of Mazhilis* (Lower Chamber of Parliament) were elected by people based on the administrative division, representing each city and region proportionally to its population (Mazhilis of Parliament of the Republic of Kazakhstan, 2017). With the switch from presidential to presidential-parliamentary type of government in Kazakhstan in 2007, *Mazhilis* began to be formed according to political party lists (Act on Making Changes and Additions to Constitution of the Republic of Kazakhstan No.254-II, 2007). *Mazhilis* consists of 107 *Deputies*, of which 98 *Deputies* are elected from political parties by party lists and 9 by the Assembly of the People of Kazakhstan.

The *Senate* (Upper Chamber of Parliament) is composed of 2 members elected from each of the regions and cities belonging to the first tier of subnational government, and 15 members appointed by the President to ensure representation of the different cultures within the nation and other significant public interests. Almaty, Nur-Sultan, and Shymkent cities are directly represented in the country *Senate*. Aktobe City, belonging to the second tier of the subnational government, is represented in the *Senate* indirectly via *Senate* places provided to Aktobe Region representatives. The role of the *Senate Deputies* in the representation of local needs is growing. There is a special Council for working with *Maslikhats* under the *Senate* to improve legal conditions for local government and regional development.

The changing roles of locally elected politicians in Kazakhstan

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 recognised 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 (*zakreplennye*) local taxes and payments of profit of enterprises of local subordination’ and ‘regulated (*regulirovannye*) funds’ (Ross, 1987, p. 70). 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’ (Ross, 1987, p. 71).

After the dissolution of the Soviet Union, local government retained some features of the former system such as the local council (*Soviet*), although a new nation and new post-Soviet administrative machinery had to be created (Omarov, 2006). There was a need to involve local governments as part of the top-down public administrative machine to reach overall national development objectives (Kalyuzhnova, 1998). The *Local Representative and Executive Bodies Act of the Republic of Kazakhstan* (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 re-assigned the name *Maslikhats*, and they did not participate in local governance to the same degree they had in the past. Only after economic stabilisation did the national government gradually start to pay attention to the democratisation of local government (Omarov, 2006).

The political decentralisation reforms (2001–2012) of Kazakhstan aimed to increase the decision-making power of the locally elected part of local governments known as *Maslikhats*. With the introduction of the *Local Government and Self-government Act* in 2001, the *Maslikhats* became responsible for approval of local plans, development programmes, local budgets, and other documents developed by *Akimats* (Article 6). In 2007, the country Constitution was amended to recognise the role of *Maslikhats* as local self-government bodies. The role of *Maslikhats* as local self-government bodies was strengthened further by the adoption of the *Concept for the Development of Local Self-Government in Kazakhstan* (Presidential Executive Decree of the Republic of Kazakhstan No.438, 2012). Nowadays, *Maslikhats* have the legislative power to participate in the regulation of land use, migration, and approval of a wide range of local *rules*, including *rules* for the physical development of cities and urban infrastructure (see Table 2.3). *Maslikhats* approve city physical development plans, city budgets, and they can impact on the candidacy of the *Akim* and the structure of the *Akimat*.

Table 2.3 Decision-Making Power of Maslikhats

| <i>Local administration</i> | <i>Local development</i> | <i>Local legislation</i> |
|---|---|---|
| Approval of the candidacy for the position 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 |
| Approval of the organisational structure of the 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 hiring local civil servants, 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 the 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 the <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 chair and members of the city's auditing commission for 5 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 the local population |
| Coordination of the candidacy for the position 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 organisations for nonfulfilment 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 Act of the Republic of Kazakhstan No.148-II* (2001).

Delegation of urban planning to city governments

City governments became responsible for urban planning and regulation of urban development after the adoption of the *Act on Urban Planning, Architectural Design, and Construction Activities in the Republic of Kazakhstan* in 2001 (*Act on Urban Planning* hereafter). 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 activities 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 Soviet Union took place in a highly centralised context, wherein each city was a working part of the Soviet economic chain (Coulibaly et al., 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 microdistricts, 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 (former 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 7 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 Ministry of

National Economy of the Republic of Kazakhstan, 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 criticises the fact that Kazakhstani planners, like Soviet planners, approach the planning process as engineers, addressing mainly clients' needs (national and local government) rather than local community needs (Experts from local non-governmental organisations (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 (personal communication, May 2016). 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 realities of the market economy. More specifically, they express their concerns to address the needs of local communities.

The *Act on Urban Planning* (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 Kazakhstan. *Genplans* are still produced as technical plans, mainly focused on demographic forecasts and the creation of basic conditions for the *urbanising population* (in Russian '*gradoobrazuyushchee naselenie*'). Knowing the expected number of future dwellers, the work of planners is limited to the distribution of normative provisions such as square metres of housing per person, public schools per thousand people, and other new services without adequate consultation with local actors (Decree of the Chairperson of the Agency of the Republic of Kazakhstan for Construction and Housing and Communal Services No.536, 2011). Modern *genplans* propose functional zoning for the development of different public services, often ignoring the current distribution of land uses privatised by a wide range of actors (Civil servants of Ministry of National Economy, personal communication, June 2014).

Urban planning is perceived as pure physical planning separated from economic planning. Physical planning and economic planning documents are developed separately by different departments of *Akimats* (see

Table 2.4 Economic and Physical Planning Documents of Kazakhstan

| <i>Economic planning</i> | <i>Physical planning</i> | |
|--|---|--|
| National level | | |
| <i>Strategy of Kazakhstan's development until 2050</i> (replaced <i>Strategy 2030</i>) | <i>General Plan</i> of the territory of Kazakhstan | |
| <i>Strategic plan of Kazakhstan's development for 10 years</i> | <i>Interregional plan</i> of territorial development | |
| <i>Forecast of territorial-spatial development</i> | <i>Interregional plan</i> of territorial development | |
| Subnational regional level | | |
| <i>Forecast of socioeconomic development for 5 years</i> | <i>General Plans</i> of Almaty and Nur-Sultan for 20–30 years | <i>Comprehensive plans</i> of <i>oblasts'</i> territory development |
| <i>Programme of territorial development for 5 years</i> | | |
| <i>Local budget for 3 years</i> | | |
| Subnational district level | | |
| | <i>General Plans</i> of towns for 20–30 years | <i>Comprehensive plans</i> of <i>rayons'</i> territorial development |

Note: Developed by the author based on *Presidential Executive Decree of the Republic of Kazakhstan No.827 (2009)* and *Act on Urban Planning, Architectural Design, and Construction Activities in the Republic of Kazakhstan No. 242-II (2001)*.

Table 2.4). The Department of Economy and Budget Planning ('Budget Planning Department' hereafter) of local government is responsible for economic planning and management of local budgets. Since 2009, local governments have become responsible for the development and implementation of the *Territorial Development Programmes (Territorial Programmes* hereafter) that must serve as a local economic development plan (Presidential Executive Decree of the Republic of Kazakhstan No.827, 2009). Budget Planning Departments produce *Territorial Programmes* according to the methodology designed by the Ministry of National Economy (Decree of the Ministry of National Economy of the Republic of Kazakhstan No.64, 2018). In addition to local acceptance, the *Territorial Programmes* are subject to preliminary examination at the national level, according to the checklist developed by the Ministry of National

Economy (Civil servants of Akimats, personal communication, June 2014). Despite their local production, nationally established constraints do not allow local governments to use *Territorial Programmes* as an economic strategy. At the same time, local governments cannot approve local budgets without *Territorial Programmes* indicating local development projects that can be implemented in the framework of different national programmes (including programme-related funding) (Budget Code of the Republic of Kazakhstan No.95-IV, 2008, Article 75).

The Department of Architecture and Urban Planning ('Urban Planning Department' hereafter) of local government, headed by the *Chief Architect*, is responsible for urban planning and regulation of physical development. The Urban Planning Department orders city *genplans* to be produced by external consultants, but these *genplans* still have to be produced based on specific planning guidelines and technical standards ('*norms*' hereafter) established by the Committee for Construction and Housing and Communal Services of the Ministry of National Economy³ (Committee for Construction) (Act on Urban Planning, 2001, Article 28). Finally, the same Committee for Construction examines *genplans* in regard to their compliance with the nationally established *norms* (Decree of the Chairperson of the Agency of the Republic of Kazakhstan for Construction and Housing and Communal Services No.536, 2011). Consequently, *genplans* fail to serve a local development strategy. In fact, the *Territorial Programmes* 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).

Territorial Programmes and *genplans* are developed based on different principles and they have different objectives, systems of indicators, and requirements for the expected outcomes as well as planning timelines (*genplans* for 20–30 years and *Territorial Programmes* for 5 years). The *Budget Planning Department* 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 the *Territorial Programmes* as a subsection with 'territorial development' as the title (Akimat of Almaty City, 2013; Akimat of Almaty Region, 2011). Almaty, Nur-Sultan, and Shymkent City governments produced and approved *Territorial Programmes* 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 Ministry of National Economy, personal communication, May 2015).

Urban agglomerations and their role in economic development

In the absence of workable planning tools regulating urban development, the national government developed and approved *Interregional Action Plans* to coordinate the cooperation of cities and regions forming urban agglomerations and belonging to the first tier of subnational government. There are *Interregional Action Plans* for the Almaty urban agglomeration (Government Resolution of the Republic of Kazakhstan No.581, 2013) and the Astana urban agglomeration (Government Resolution of the Republic of Kazakhstan No.611, 2013). The *Interregional Action Plan* for the Shymkent urban agglomeration is under development. Aktobe City, belonging to the second tier of subnational government and subordinated to Aktobe Region, was left without an *Interregional Action Plan*.

Urban agglomerations were supplied with *Interregional Development Plans* that aimed to regulate urban development and delimitate territorial borders of urban agglomerations. According to the approved *Interregional Development Plan* of the Almaty agglomeration, it includes Almaty City and four districts (Enbekshikazakh, Ili, Zhambyl, and Karasai) and four towns of the Almaty Region (Kapshagay, Kaskelen, Talgar, and Esik) (Government Resolution of the Republic of Kazakhstan No.302, 2016). The Astana agglomeration with the core city of Nur-Sultan includes four districts of the Akmola Region (Arshalynsky, Tselinogradsky, Shortandinsky, and Akkolsky districts) (Government Resolution of the Republic of Kazakhstan No.726, 2017). The Shymkent agglomeration with the core city of Shymkent includes seven districts (Baidibek, Kazygurt, Ordabasy, Sairam, Saryagash, Tolebi, and Tulkubas districts) and three towns (Saryagash, Lenger, and Arys) of the Turkestan Region (former South-Kazakhstan Region)⁴ (Government Resolution of the Republic of Kazakhstan No.74, 2018). The Aktobe agglomeration with the core city of Aktobe includes six districts of the Aktobe Region (Alginsky, Kargalinsky, Khobdinsky, Mugalzarsky, Martuisky, and Khromtau) (Government Resolution of the Republic of Kazakhstan No.109, 2018).

According to the *Interregional Development Plans*, about 40% of the country's population lives within the boundaries of these four urban agglomerations. The Almaty agglomeration has the highest number of residents and the highest density of population (see Table 2.5). The Astana and Aktobe agglomerations have the highest share of urban population, but the lowest density of population. The Shymkent agglomeration has the lowest share of the urban population. More than

Table 2.5 Main Features of Case Study Urban Agglomerations, 2016

| No | Main features | Almaty | Astana | Shymkent | Aktobe |
|-----|---|--------|--------|----------|--------|
| 1 | Territory, in thousand hectares | 939 | 2,177 | 1,573 | 3,432 |
| 2 | Population, in thousand people | 2,400 | 1,046 | 1,801 | 635 |
| 3 | Density/people per thousand hectares | 2,555 | 480 | 1,145 | 185 |
| 4 | Share of urban population | 71% | 79% | 55% | 78% |
| 5 | Share of rural population | 29% | 21% | 45% | 22% |
| 6 | Number of employed population, in thousand people | 1,191 | 524 | 821 | 353 |
| 6.1 | Share of employed in industry | 10% | 8% | 6% | 20% |
| 6.2 | Share of employed in construction | 10% | 18% | 10% | 8% |
| 6.3 | Share of employed in agriculture | 13% | 7% | 18% | 8% |
| 6.4 | Share of employed in education | 8% | 11% | 13% | 13% |
| 6.5 | Share of employed in health and social care | 5% | 11% | 5% | 3% |
| 6.6 | Share of employed in trade and services | 54% | 45% | 48% | 48% |

Note: Developed by author based on the *Interregional Development Plans* (Government Resolutions No. 302, 2016; No. 726, 2017; No. 109, 2018; No. 74, 2018).

Table 2.6 Main Features of Core Cities of Urban Agglomerations, 2016

| Name of the core city | Population | Territory in hectares | Density, people per hectares |
|-----------------------|------------|-----------------------|------------------------------|
| Almaty | 1,683,048 | 76,000 | 22 |
| Nur-Sultan | 867,790 | 71,000 | 12 |
| Shymkent | 877,455 | 116,280 | 8 |
| Aktobe | 510,568 | 30,600 | 17 |

Note: Developed by author based on the data retrieved May 8, 2016, from Committee on Statistics under the Ministry of National Economy of the Republic of Kazakhstan database www.stat.gov.kz

55% of agglomeration residents are represented by the population of working age, and 50% of this population is employed (see Table 2.5). The largest percentage of employed population works in the trade and service sector. Almaty City has the highest number of population (see Table 2.6). Since 2009, the population of the core cities of Almaty, Nur-Sultan, and Shymkent has increased annually by 15,000 inhabitants, while the population of Aktobe has grown by 6,000 inhabitants (Committee on Statistics under the Ministry of National Economy of

the Republic of Kazakhstan, 2016). In many cases, the growth of core cities takes place because of people migrating from towns and villages located in the neighbouring regions. Cities attract people from neighbouring regions by providing better opportunities for education, employment, and doing business.

There is a big difference in the economic contribution of the core cities compared to neighbouring regions included in urban agglomerations. The gross regional product (GRP) per capita of Almaty Region is five times lower than the GRP per capita of Almaty City (see Table 2.7). The GRP per capita of Akmola Region is three times lower than the GRP per capita of Nur-Sultan City. The main value-added economic activities of Almaty and Nur-Sultan cities include financial and insurance activities, information and communications, education and research, wholesale, retail trade, and entertainment (Ministry of Investment and Development of the Republic of Kazakhstan, 2017). The economy of the Almaty and Akmola regions is less diversified and mainly based on agriculture, manufacturing industry, construction, transport, and warehouse logistics.

Core cities surpass neighbouring regions in terms of living conditions and the business environment. Compared to other cities and regions of Kazakhstan, in 2019 Almaty was ranked the number one on dealing with construction permits, getting electricity, and registering property (World Bank, 2019). Nur-Sultan City leads in starting businesses, followed up by Aktobe Region taking the second place. Shymkent has the worst conditions for doing business, whereas, based on public opinion, Shymkent City is considered the most comfortable city to live in Kazakhstan, outperforming Almaty and Nur-Sultan, which shared the

Table 2.7 Gross Regional Product per Capita in USD of Cities and Regions Forming the Almaty and Astana Urban Agglomerations, 2009–2015

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| <i>Almaty urban agglomeration</i> | | | | | | | |
| Almaty City | 15,600 | 19,000 | 23,200 | 26,200 | 31,400 | 28,000 | 24,500 |
| Almaty Region | 2,900 | 3,700 | 4,500 | 5,000 | 5,800 | 5,600 | 4,600 |
| <i>Astana urban agglomeration</i> | | | | | | | |
| Nur-Sultan City | 14,800 | 17,900 | 20,300 | 23,300 | 28,800 | 26,900 | 25,100 |
| Akmola Region | 4,800 | 5,400 | 7,500 | 7,300 | 8,600 | 8,000 | 6,800 |

Note: Developed by author based on the data retrieved May 8, 2016, from Committee on Statistics under the Ministry of National Economy of the Republic of Kazakhstan database www.stat.gov.kz

third ranking position (Tengri News, 2016). However, when people assessed the development of urban transport infrastructure, Shymkent was moved down to the fourth position while Nur-Sultan took seventh place and Almaty appeared in the tenth position (Vengrovskaya, 2016). Even Almaty and Nur-Sultan City governments, having largest budgets compared to other cities, fail to manage the development of transport system and urban infrastructure to address local economic needs.

Budgeting of urban development

The local governments' role in economic development is constrained by the current system of budgeting and taxation. Local governments are not motivated to produce public goods to meet the local needs because of fiscal constraints (Civil servants of Ministry of National Economy, personal communication, March 2016). Local government activities related to taxation and use of local budgets remain highly regulated by the *Tax Code of the Republic of Kazakhstan No.99-IV* (2008) and *Budget Code of the Republic of Kazakhstan No.95-IV* (2008). 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 triannual basis. Often, the national government penalises local governments of Kazakhstan for inappropriate or untimely spending of public money (Civil Servants from the Ministry of Finance of the Republic of Kazakhstan, 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).

The city and regional governments are responsible for a wide range of public services, including education, health care, housing and utilities, transport, and communication. In 2016, the highest share of budget spending of Almaty was allocated to education (22%) (see Table 2.8). The spending on health care increased from 15% in 2010 to 18% in 2016, whereas the spending on transport dropped from 27% in 2010 to 9% in 2016. Compared to Almaty, education makes only 11–15% of the budget spending of Nur-Sultan. In 2016, the highest share of budget spending of Nur-Sultan went to housing and utilities (29%), followed up by spending on transport and communication (16%) (see Table 2.9). The share of spending on health care in Nur-Sultan also increased from 9% in 2010 to 11% in 2016. The considerable

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Table 2.8 Budget Spending of Almaty City, in USD Million

| <i>Budget spending position</i> | <i>2010</i> (%) | <i>2011</i> (%) | <i>2012</i> (%) | <i>2013</i> (%) | <i>2014</i> (%) | <i>2015</i> (%) | <i>2016</i> (%) |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Education | 17 | 20 | 27 | 22 | 21 | 19 | 22 |
| Health care | 15 | 13 | 14 | 14 | 14 | 14 | 18 |
| Housing and utilities | 15 | 18 | 15 | 14 | 16 | 20 | 13 |
| Transport and communication | 27 | 23 | 20 | 20 | 18 | 10 | 9 |
| Culture, sport, tourism, and information | 8 | 9 | 6 | 7 | 8 | 8 | 13 |
| Agriculture, water resources, forestry, fishing, nature, and wildlife protection | 1 | 2 | 2 | 2 | 2 | 5 | 9 |
| Fuel, energy, and mineral resources | 6 | 5 | 5 | 6 | 7 | 6 | 4 |
| Public order and security | 3 | 4 | 5 | 5 | 4 | 4 | 4 |
| Social assistance | 3 | 3 | 3 | 3 | 2 | 2 | 4 |
| Industry, architecture, urban planning, and construction | 3 | 0.3 | 0.3 | 2 | 4 | 9 | 1 |
| General public service | 2 | 2 | 2 | 3 | 2 | 2 | 2 |
| Defence | 1 | 1 | 1 | 2 | 1 | 0.4 | 0.5 |

Note: Developed by author based on the data retrieved January 10, 2017, from the Ministry of Finance of the Republic of Kazakhstan financial database www.minfin.gov.kz

Table 2.9 Budget Spending of Nur-Sultan City, in USD Million

| <i>Budget spending position</i> | <i>2010</i> (%) | <i>2011</i> (%) | <i>2012</i> (%) | <i>2013</i> (%) | <i>2014</i> (%) | <i>2015</i> (%) | <i>2016</i> (%) |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Housing and utilities | 35 | 27 | 23 | 25 | 27 | 25 | 29 |
| Transport and communication | 16 | 15 | 18 | 14 | 16 | 21 | 16 |
| Education | 11 | 11 | 12 | 14 | 15 | 15 | 14 |
| Fuel, energy, and mineral resources | 12 | 18 | 21 | 18 | 13 | 12 | 11 |
| Health care | 9 | 14 | 11 | 13 | 12 | 12 | 11 |
| Culture, sport, tourism, and information | 11 | 6 | 6 | 7 | 8 | 7 | 9 |
| Public order and security | 2 | 3 | 4 | 3 | 3 | 3 | 3 |
| Social assistance | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Agriculture, water resources, forestry, fishing, nature, and wildlife protection | 0.4 | 0.3 | 1 | 1 | 1 | 2 | 2 |
| General public service | 1 | 1 | 1 | 2 | 1 | 1 | 1 |
| Industry, architecture, urban planning, and construction | 1 | 3 | 1 | 1 | 1 | 1 | 1 |
| Defence | 0.1 | 0.1 | 1 | 0.4 | 0.1 | 0.1 | 0.1 |

Note: Developed by author based on the data retrieved January 10, 2017, from the Ministry of Finance of the Republic of Kazakhstan financial database www.minfin.gov.kz

expenditures on fuel and energy sources can be explained by the need to heat a city located on the northern region of the country with the winter season lasting up to more than 6 months.

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 Almaty, Nur-Sultan, and Shymkent City governments may request loans from the national budget via the Ministry of Finance of Kazakhstan. Subregional governments (e.g., Aktobe City) 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 exceeds 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). These types of withdrawals and subventions are called *general transfers* (Budget Code, 2008, Article 45).

In addition to *general transfers*, the national government sends *targeted transfers* to fund regional and local developments, such as *national projects* (National projects, 2017). As the main destinations for implementation of *national projects*, Almaty and Nur-Sultan receive national transfers and the amount of national investment is constantly increasing. During 2004–2016, Almaty City received USD 7 billion and Nur-Sultan City received USD 11 billion of national transfers (see Table 2.10). The national transfers make 10–11% of the budget revenue of Almaty City and 47–71% of Nur-Sultan City (see Table 2.11).

In Kazakhstan, less than 30% of local revenues were generated through taxation in 2016 (Ministry of Finance of the Republic of Kazakhstan, 2017). Almaty City making one third of the country tax

Table 2.10 National Transfers to Nur-Sultan and Almaty Cities, in USD Million

| | 2004–2007 | 2008–2011 | 2012–2016 |
|-----------------|-----------|-----------|-----------|
| Almaty City | 950 | 3,195 | 3,105 |
| Nur-Sultan City | 1,286 | 5,272 | 4,872 |

Note: Developed by author based on the data retrieved January 10, 2017, from the Ministry of Finance of the Republic of Kazakhstan financial database www.minfin.gov.kz

Table 2.11 Budget Revenue of Almaty and Nur-Sultan Cities, in USD Million

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------|-------|-------|-------|-------|-------|-------|
| <i>Almaty City budget revenue structure</i> | | | | | | | |
| Revenue | 2,227 | 2,140 | 2,299 | 2,357 | 2,347 | 1,862 | 1,483 |
| Tax revenue | 52% | 64% | 65% | 69% | 65% | 63% | 67% |
| Nontax revenue | 24% | 30% | 32% | 34% | 31% | 31% | 33% |
| Proceeds from sale of fixed capital | 18% | 22% | 23% | 24% | 22% | 21% | 23% |
| National transfers | 10% | 11% | 10% | 11% | 12% | 11% | 11% |
| <i>Nur-Sultan City budget revenue structure</i> | | | | | | | |
| Revenue | 1,908 | 2,331 | 2,181 | 2,089 | 1,997 | 1,389 | 1,187 |
| Tax revenue | 25% | 25% | 31% | 38% | 39% | 48% | 49% |
| Nontax revenue | 1% | 1% | 2% | 3% | 2% | 2% | 2% |
| Proceeds from sale of fixed capital | 3% | 3% | 3% | 3% | 3% | 3% | 2% |
| National transfers | 71% | 72% | 64% | 56% | 56% | 47% | 47% |
| <i>Almaty City tax revenue structure</i> | | | | | | | |
| Tax revenue | 1,163 | 1,367 | 1,487 | 1,619 | 1,536 | 1,165 | 990 |
| Personal income tax | 47% | 48% | 49% | 50% | 48% | 49% | 50% |
| Social tax | 35% | 35% | 35% | 34% | 34% | 34% | 34% |
| Property tax, land tax, transport fee, fixed tax, and excise tax | 18% | 18% | 16% | 16% | 19% | 17% | 16% |
| <i>Nur-Sultan City tax revenue structure</i> | | | | | | | |
| Tax revenue | 475 | 572 | 675 | 797 | 778 | 662 | 587 |
| Personal income tax | 46% | 46% | 46% | 45% | 47% | 46% | 46% |
| Social tax | 33% | 35% | 35% | 36% | 36% | 36% | 36% |
| Property tax, land tax, transport fee, fixed tax, and excise tax | 21% | 18% | 20% | 18% | 17% | 18% | 17% |

Note: Developed by author based on the data retrieved January 10, 2017, from the Ministry of Finance of the Republic of Kazakhstan financial database www.minfin.gov.kz

revenues is one of the financially self-sufficient regions of the country. The share of tax revenue of Almaty City increased from 52% in 2010 to 67% in 2016 (see Table 2.11). The share of tax revenue of Nur-Sultan increased from 25% in 2010 to 49% in 2016. Almaty and Nur-Sultan City governments generate revenue by collecting 23 different types of local taxes. Additionally, city governments can collect local administrative fees, impose fines and penalties, and benefit from property income. Personal income tax and social tax constitute the

highest contribution: approximately 70% of all total tax revenue of local budgets. The personal income tax made up 50% of Almaty tax revenue and 46% of Nur-Sultan tax revenue in 2016 (see Table 2.11).

Locally collected land and property taxes continued to contribute the lowest portion of tax revenue. In Almaty tax revenue, the share of these local taxes decreased from 18% in 2010 to 16% in 2016 (see Table 2.11). In Nur-Sultan tax revenue, the share of property and land taxes decreased from 21% in 2010 to 17% in 2016. Nur-Sultan and Almaty City governments can change the land tax rate based on land zoning projects and fix the rate of minor local taxes (Tax Code, 2008, Article 338). 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.

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 of Kazakhstan 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).

The current distribution of taxes among different levels of government creates limited incentives for city governments to prioritise the generation of revenues via taxation (Civil servants of Ministry of Finance of the Republic of Kazakhstan, personal communication, March 2016). Until 1 January 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 No.357-1* (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; as a result, the share of national transfers to local budgets increased from 30% in 2003 to 70% in 2010 (Kysykov, 2013).

Prevailing centralisation of taxation and budget spending by the national government undermines local governments' meaningful engagement in revenue generation for increasing local development funds. The top-down political and administrative decentralisation reforms continue to be introduced without proper attention to challenges facing local governments towards implementation of these reforms resulting from the preserved financial dependency of local governments from the national government. The delegation of new duties to local government is not supplied with the provision of adequate access to expert capacities required to plan, manage, and regulate urban development. When local governments received an opportunity to develop local physical development plans, they were supplied with funding for plans' production but no budget for plans' implementation.

Nationally established economic and physical planning systems exist in parallel realities, not allowing integration of physical and economic planning on the local levels of government. City and regional governments remain in competition for gaining nationally distributed resources instead of aiming to reflect local development needs. This leads to regional disparity and the growing development gap between cities and their neighbouring regions. Under the absence of administrative and fiscal conditions for mutually beneficial interregional cooperation, the idea of urban agglomerations looks like an unachievable dream of the national government to use cities as drivers of economic development.

Notes

- 1 The Republic of Kazakhstan is a unitary state with a presidential-parliamentary type of government, in which the President is elected by general direct vote (Constitution of the Republic of Kazakhstan, 1995, Articles 2 & 41). The President appoints the Prime Minister with the consent of the *Mazhilis* (Article 44). The Prime Minister of the Republic of Kazakhstan organises and supervises the activities of the national government (Article 67). The national government serves as the executive power of the Republic of Kazakhstan (Article 64).
- 2 The Parliament of the Republic of Kazakhstan is the highest representative body of the Republic performing legislative functions and it consists of two chambers: *Senate* and *Mazhilis*. *Senate* represents the Upper House of Parliament formed by *Deputies* elected for 6 years, and the *Mazhilis* represents the Lower House of Parliament formed by *Deputies* elected for 5 years (Constitution of the Republic of Kazakhstan, 1995, Article 49 & 50).
- 3 The *Committee for Construction* was an independent state agency from any ministry until 2014 when it became a substructure of the Ministry of National Economy (Decree of the Ministry of National Economy of the Republic of Kazakhstan No.30, 2014).

- 4 In 2018, Shymkent City was separated from the South Kazakhstan Region and the South-Kazakhstan Region was renamed to the Turkestan Region (Presidential Executive Decree of the Republic of Kazakhstan No.702, 2018).

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3 Administrative urban struggle

Almaty City versus Almaty Region

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 (Organisation for Economic Co-operation and Development [OECD], 2017). The national government hopes that cities can regain the historical role of facilitators of international trade (Government Resolution of the Republic of Kazakhstan No.728, 2014) similarly to first city-states that appeared on the southern river valley of Kazakhstan along the Great Silk Road. Before the dominance of the Russian Empire in Central Asia, cities played an important role in the economic development of that region (Junussova, 2010). Governments of medieval city-states (VI–XVIII centuries) competed for attracting traders by establishing favourable conditions for trading, including the introduction of tax-free trading zones for some type of goods (Junussova, 2010, pp. 10–15). However, when Kazakhstan became a part of Russia (XVIII–XIX), most of medieval city-states were destroyed and replaced by Russian military fortress towns (Junussova, 2010, pp. 16–21), while city governments lost their decision-making power and urban development became detached from local needs. Modern cities of Kazakhstan were designed and built during the Soviet Union (1940–1990) based on centrally planned economic principles (Junussova, 2010, pp. 28–42). 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 centralised 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 towards market economic conditions (Andrusz, Harloe & Szelenyi, 1996; Bertaud & Renaud, 1997; French, 1995). Then, policy scholars' attention worldwide switched to structural institutional reforms and decentralisation 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). 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 ongoing administrative decentralisation reforms on local government cannot be properly understood without careful assessment of local urban planning practice.

The purpose of this chapter is to contribute to a better understanding of how delegated urban planning was used in actual practice by Almaty City and Almaty Region governments to direct urban development. First, this essay provides a theoretical framework that bridges urbanisation and decentralisation by focusing on urban planning and the role of local government in managing urban development. Then it looks at local government planning activities: how plan production processes are constrained by preestablished regulation and norms at national level, 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 Region governments to mediate and regulate local development.

Administrative decentralisation and urban planning

Some national governments have started to transform administrative structures to enable local governments to get involved in planning and regulation of urban development as a means to benefit from urbanisation (United Cities and Local Governments, 2008). At the same time, leading international development institutions suggest that national governments should grant local governments adequate local autonomy, as only thus would local governments be capable of guiding

urban development and turn cities into more effective promoters of the national economy (OECD, 2015c). Urban planning can be one of the key decentralised activities of local governments to engage 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 a right balance between new construction and the preservation of historical buildings and environmentally or culturally sensitive territories with high value for local dwellers (OECD, 2015a). Proper urbanisation 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 the case of Kazakhstan, urban planning remains a back-room production of technical plans by external experts with limited involvement of citizens (see Chapter 2). Nevertheless, the national government has 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 programmes, and plans; however, little attention is paid to the quality of policy formulation. For example, as stated by the OECD (2014), there are: ‘...no systematic reviews or evaluations of programme and policy efficiency and effectiveness, or spending reviews’ (p. 31). Since 2010, the national government of Kazakhstan has started to introduce result-based management, but it has not yet helped to improve planning of local development (Dulatbekov & Assylbayeva, 2013). Although the national government of Kazakhstan assigns 80–90% of implementation of national strategies, programmes, and plans to the local governments, public funds for their implementation are not supplied in a timely manner (Expert Kazakhstan, 2015). As a result, these local governments, whose activities continue to be impacted by nationally established legislative, fiscal, and political constraints, are criticised 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. Lacking

incentives to use urban planning for economic development, city and regional governments are weak actors to exercise such critical duties (Banovetz, 2004; Center for Economic Research [CER], 2013). There is even a possibility that the current metropolitan bias of regional policy, not supported by adequate decentralisation reforms, may lead to the acceleration of the existing economic inequalities between larger cities and their neighbouring regions (Ferré, Ferreira, & Lanjouw, 2010; Nellis, 2014). Given the current lack of place-based studies 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 affecting decision-making efficiency of the local governments.

To make urban planning fit for local needs, scholars suggest a switch in the analytical focus from the plans themselves to the quality of the planning processes (Chadwick, 2013). Therefore, the findings of this study are based on a qualitative programme evaluation approach that emphasises the importance of looking at ‘programme processes, implementation issues, and qualitative data’ (Patton, 2002, p. 149). The objectives used to examine the production of plans and their implementation were developed in line with the main research question: How does administratively decentralised urban planning impact local economic development? Arguably, decentralisation of urban planning reduces the direct influence of the national government on local government decisions regarding territorial development. However, even if formal responsibilities remain local, the national government may keep its leading position as the rule-maker (OECD, 2011).

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 induce alternative use of local plans (OECD, 2015a). 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 former¹ decision-makers representing the national (20 interviewees) and local

government (30 interviewees); real estate developers (10 interviewees); urban design companies (10 interviewees); and non-governmental organisations (NGOs) (10 interviewees). The actors were selected based on their level of involvement in the process of production and implementation of 14 *genplans* (see Table 3.1). 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 fulfil local social, environmental, and economic development needs, as well as balance interests and demands of national and local actors such as citizens and private enterprises. The sustainability criteria are

Table 3.1 List of the Studied Local Plans

| <i>No.</i> | <i>Name of the plan / year of introduction</i> | <i>Developer</i> |
|------------|---|---|
| 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 Ush Tobé / 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 |

Note: Developed by the author.

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.

National guidelines versus local needs

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 enables 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 (Act on Urban Planning, Architectural Design, and Construction Activities in the Republic of Kazakhstan No.242-II, 2001). During the past 20 years, all cities and towns of Kazakhstan were supplied with development *genplans* (Ministry of National Economy of the Republic of Kazakhstan, 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 analyse the production process of *genplans* and practical challenges affecting the quality of local policy formulation in Kazakhstan.

In Kazakhstan, the formal assignment of urban planning duties does not mean that local governments become ultimate producers of *genplans*, given the overall lack of planning capacity in the public sector of Kazakhstan (OECD, 2014). 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 licence 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, Housing and Utilities, and Land Management of the Ministry of National Economy of the Republic of Kazakhstan ('Committee for Construction' hereafter) (Minister of National Economy of the Republic of Kazakhstan Decree No.114, 2014). 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 Ministry of National Economy, 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; however, the standardised 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 (Decree of the Committee for Construction, Housing and Utilities, and Land Management of the Ministry of National Economy of the Republic of Kazakhstan No.156, 2014). 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 *Akimats*, 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). Also, *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* (Consultants, 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 rewritten 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 forecast numbers of people, calculated on past demographic trends and ignoring the current nature of urban economy and migration trends (Van Assche & Djanibekov, 2012). As an example, the population of Almaty City in 2009 already exceeded the number forecast in the *genplan* for 2025 (1,300,000 people) by 99,296 people (Government Resolution of the Republic of Kazakhstan No.1330, 2002). Conversely, in the case of the Almaty Region, the economic potential of Kapshagay 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 (Akimat of Almaty Region, 2014). 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 Kapshagay.

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 (Akimat of Almaty Region, 2014). 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* because it is a part of their statutory duty. 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).

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 interjurisdictional issues, such as regulation of interregional migration (Makhmutova, 2012) and development of suburban transport systems (Bekmagambetov & Smirnova, 2016). The *Almaty 2020 Genplan* alone could not supply transport planners with meaningful social, economic, and environmental indicators for the development of an efficient transport model (Consultants, personal communication, June 2014; March 2015; May 2016). As a result, dwellers of peripheral and suburban areas of Almaty City experience transportation problems (e.g., daily traffic congestions), as well as worsening environmental conditions (e.g., increased level of air pollution) (Kazakova, 2015).

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* (2007), 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, 2016). The preassessment 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 urban development by the *Almaty 2020 Genplan*, the city government selected the

so-called 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 encompassed 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 of the Republic of Kazakhstan Decree No.204-p, 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 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* contained detailed field investigations of current environmental pollution levels, or geological and hydrological studies (personal study of *genplans*, June 2014–May 2016). 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 *Almaty 2050 Genplan*, 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 built as well as the natural environment.

The participation of public and local governments in planning looks like 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, 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: ‘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 to the 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 Almaty Region, 2014). 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 criticise 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.

From planning to implementation

Urban planning 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 includes the assessment of *genplan* implementation with a focus on the use of urban planning by local governments to guide urban development.

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, *genplans* have not yet become powerful enough tools to control urban development (Civil servants of local and national government, personal communication, February and June 2016). The *Act on Urban Planning, Architectural Design, and Construction Activities in the Republic of Kazakhstan No.242-II* (2001) ('Act of Urban Planning' hereafter) introduced the concept of *legal zoning* to allow implementation of the *genplan* through enforcement of the locally developed rules ('*local rules*' hereafter). The local government is responsible for the development of the *local rules* produced by the *Akimat* and approved by the *Maslikhat* (Act on Urban Planning (2001), Articles 1 & 22). Almaty Region 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* (Civil servants from Almaty City *Akimat*, personal communication, February 2015). However, in many cases, the national legislation such as the *Constitution of Republic of Kazakhstan* (1995), *Civil Code of the Republic of Kazakhstan No.269-XII* (1994), and *Land Code of the Republic of Kazakhstan No.442-II* (2003) 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 *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, multistorey 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, as well as 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 (Act on Urban Planning, Architectural Design, and Construction Activities in the Republic of Kazakhstan No.242-II, 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 (Civil Servants from Almaty City and Almaty Region *Akimats*, 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 (Decree of the Chairperson of the Agency of the

Republic of Kazakhstan for Construction and Housing and Communal Services No.536, 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 (Asian Development Bank, 2012). 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 (see Chapter 2). Usually, public infrastructure is constructed by financial provisions framed under special purpose transfers (Budget Code of the Republic of Kazakhstan No.95-IV, 2008, 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 ongoing changes (Alibaeva, 2010).

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 9 months (see Table 3.2). 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 Ministry of National Economy, personal communication, February

Table 3.2 The Budget Approval Process

| <i>Main stages of budget process</i> | <i>Annual deadlines</i> |
|---|-------------------------------------|
| Approval of forecast of local development, including budget structure for 3 years by the Local Budget Committee (consisting of <i>Akim</i> and representatives of <i>Akimat</i>) | April 20 |
| Submitting of budget requests and projects of local budget plans to the Department of Economic and Budget Planning | May 15 |
| Assessment and approval by the Local Budget Committee of the main parameters of local budget and conclusion related to the budget requests | September 15 |
| Department of Economic and Budget Planning develops a project of resolution on local budget for 3 years and submits it to <i>Maslikhat</i> for final approval | October 1 |
| Approval of project of programmes is financed from the local budget | December 30 |
| The resolution of <i>Akimat</i> on enforcement of the decision on approval of the local budget | 2 weeks from the date of submission |
| The project of local budget is submitted to <i>Maslikhat</i> to approve or reject | 2 weeks from the date of submission |

Note: Developed by author based on the *Budget Code of the Republic of Kazakhstan No. 95-IV* (2008).

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, 2016). 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 allocation permit, and the provision of land for different uses (Land Code of the Republic of Kazakhstan No.442-II, 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 centralised system

of *land-use cadaster* (Government Resolution No.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 the opinion of real estate developers, there are many scandals of land manipulation and corruption² in Kazakhstan, due to the dual nature of land-use management (personal communication, June 2014; May 2015; July 2016). According to the *Land Code* (2003), 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 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. The national government has started to introduce an *urban cadaster* with the purpose of regulating the functional use of certain land plots and buildings (Minister of National Economy of the Republic of Kazakhstan Decree No.244, 2015). 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 cities that have not yet been supplied with the *urban cadaster* systems.

Local governments are responsible for creating, operating, and regularly updating the *duty plans* (Minister of National Economy of the Republic of Kazakhstan Decree No.244, 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 geo-information system (GIS) only for the creation of *duty plans*, but allows the city authorities to work with manually corrected duty plans that may exist only on paper. *Duty plans* include information about properties and engineering infrastructure, but not land-use zoning. 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 multistorey residential estates in Almaty City blocked visual access and fresh airflow from the mountains (United Nations Development Programme/ Global Environmental Fund, 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 air pollution (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. New construction includes unauthorised buildings³ appearing on the territories not supplied with public services and communal infrastructure such as roads, as well as unsafe territories forbidden for construction. Both city and regional governments fail to manage this urban sprawl.

Urban expansion and regional development

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 (OECD, 2015c, pp. 120–125). In the case of the Almaty City, the absorption of neighbouring regional territory became an alternative way to cope with the need for public infrastructure development and scarcity of budget and land. The Almaty City government attempts to obtain more land for urban development by extending the 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; however, farmers can rent agricultural land specifically for agricultural purposes, for up to 40 years (Land Code, 2003). Despite these formal constraints, the changing of land use from agricultural to housing or other purposes became

a popular practice. In particular, it 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 from the Almaty Region (Presidential Executive Decrees of the Republic of Kazakhstan No.3929, 1998; No.385, 2012; No.798, 2014). Each time additional land was obtained, it was rationalised by the need for running new urban projects justified in the updated version of the Almaty City *genplan*. The territories included in the city in 1998 incorporated not only agricultural land, but also enterprises and 28 villages of the Almaty Region. However, the extension of city borders did not help the city government implement the public projects such as the *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 these negative outcomes, the Almaty City government continued to request a further extension of the city border. Only 2 years after its official enforcement, in 2004, the *Almaty 2020 Genplan* was updated to propose the city territorial extension (Government Resolution No.452, 2004). Interested in the implementation of *national projects* (see Chapter 4) in Almaty, the city government adjusted the new version of the *genplan* by requesting another extension of the city borders in 2012 and 2014 (Presidential Executive Decree No.385, 2012; No.798, 2014).

The attempts made by the Almaty City government to solve current challenges by extending the city borders led to negative outcomes, such as the presence of former rural territories that need to be upgraded to satisfy the demands of urban life. The city's expansion in 2014 supplied the Almaty City government with new development challenges such as the 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 the development of public transport routes and other public services that now have to be provided for 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 including the National Ile-Alatau Nature Park (Presidential Executive Decree 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 4).

The Almaty Region 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 Decree No.827, 2009). In the absence of a regional development plan, the Almaty Region government tried to accumulate local economic resources by supporting private investment in the development of *genplan* of the four new satellite cities '*G4 cities*', commissioned by Caspian Group JSC to KannFinchGroup in 2009 (Experts from real estate companies, personal communication, June 2014; May 2015). The main assumption was that the construction of new satellite cities would help decentralise some of the economic activities concentrated in Almaty City and move them towards Almaty Region. Later, the regional government included *G4 cities* in the body of the *Genplan of the Suburban Area of Almaty City Development 2040* ('*Suburban area genplan*' hereafter), but it did not help the regional government to preserve regional land sites (Experts from real estate companies, personal communication, July 2016).

Despite its official acceptance both by the Almaty Region government and the national government, the *Suburban area genplan* could not serve as a locally enforceable legal framework (Government

Resolution No.1097, 2010). The *Suburban area genplan* included 17.44 thousand square metres 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. 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 Decree No.385, 2012; No.798, 2014). According to local experts, the inadequate implementation of the *Suburban area genplan* took place due to a breakdown between planning and practice, weakness of the *local rules*, and absence of *urban cadaster* systems (Representatives of NGO, 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. The 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 the Akim of Almaty Region, February 2015). The Almaty City government alone fails to cope with the growing pressure from newcomers (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, the Almaty City government attempted to restrict the inflow of people into the city, imposing the special conditions for registration in the city (Almaty City Maslikhat Resolution No.152, 2017). The bulk of traffic is observed at the main entrances and exits of Almaty City. However, the 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 regional migrants (personal participation, February 2014, Almaty).

Current fiscal and managerial constraints preventing interregional cooperation create unequal conditions for Almaty City and Almaty Region to benefit from agglomeration economy. Under the conditions of partial administrative decentralisation, the Almaty City government does not have incentives for the efficient use of the city's land and cooperation with the Almaty Region government. Almaty City

genplans, proposing the city to develop beyond 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 turn regionally developed *genplans* into stronger regulatory tools to protect Almaty Region from the expansion of Almaty City. The *Interregional Development Plan* of the Almaty agglomeration recently approved by the national government, did not introduce any order into the development of Almaty City and Almaty Region (Government Resolution No.302, 2016). So far, current administrative decentralisation reforms failed to produce efficient regulatory urban planning tools to guide local development.

Misuse of planning

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 were not able to use the delegated urban planning powers for the management of urban development effectively. The prevailing dominance of national *norms* over local development needs hinders current urban planning practice to guide urban development for economic market conditions. Ongoing modernisation of the legal system has not yet enabled local governments to approach urban development in an integrated manner by combining physical planning with economic planning, budgeting, land-use management, and investment policies. Practical local governments activities are limited to the 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 protect 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 Region 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 Region governments in the development of the Almaty urban agglomeration is important. However, the current public administrative 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 has inhibited local governments from playing a considerable role in guiding urban development in a proper way. Also, current urban planning limited to *genplans*' production has created misleading incentives for the Almaty City government to develop 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 decentralisation 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 decentralisation strategy not only for assigning additional responsibilities, but also for creating more incentives for the city governments to cooperate with local communities, key economic actors, and neighbouring regional governments.

Notes

- 1 Many of the civil servants that had managerial positions retired in 2014 and 2015, after the introduction of the *Civil Service Act of the Republic of Kazakhstan* No.416-V (2015).
- 2 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 authorised to perform public functions, by persons equated to persons authorised to perform public functions directly or through intermediaries (Combating of Corrupt Activities Act, 2015, Article 1).

- 3 According to Article 244 of the *Civil Code* (1994), unauthorised 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 unauthorised if it was built on land owned by the state (agricultural land), land that does not belong to the owners of the house and constructed without obtaining official permission of the land plot's owner, land which cannot be used for the purpose of residential use (agricultural and industrial land, environmentally protected areas such as riverbeds, etc.), and if it was built without permission from the local executive bodies responsible for allocation of land plots and provision of permission for construction.

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4 Fiscal challenges facing Nur-Sultan and Almaty

Fighting for national projects and transfers

In Kazakhstan, the national government's fiscal decentralisation attempts coincided with top-down policies aiming to subsidise urban development in Almaty and Nur-Sultan (former 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* emphasise the importance of Nur-Sultan 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 Nur-Sultan (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. Nur-Sultan, like Almaty, 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 (Organisation for Economic Co-operation and Development, 2017).

Despite poor management of urban development, the national government has started to promote the cities of Nur-Sultan and Almaty as the best locations for hosting international events. In 2007, the national government announced that Nur-Sultan and Almaty were selected for the 2011 Asian Olympic Games ('ASIADA 2011' hereafter) (Government of the Republic of Kazakhstan Resolution No.492, 2007). By the end of 2011, the national government stated that Almaty would host the 2017 Winter Universiade ('UNIVERSIADE 2017' hereafter) (Prime Minister of the Republic of Kazakhstan Resolution No.86-r, 2012). In 2012, the President of Kazakhstan declared that the 2017 World International Exhibition ('EXPO 2017' hereafter) in Nur-Sultan

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would be one of the key *national projects* (Nazarbayev, 2012b). The volume of investments in fixed assets reached USD 4 milliard in Almaty in 2007–2008 and Nur-Sultan in 2011–2012 (Committee on Statistics under the Ministry of National Economy of the Republic of Kazakhstan, 2016). *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.

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 involve 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 Nur-Sultan and Almaty governments to finance urban development for the last 15 years. However, no one has studied the actual impact of the *national projects* on these cities from the local development perspective so far.

This chapter 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 Nur-Sultan and Almaty City governments, this chapter 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 programme evaluation approach. First, the chapter starts with a theoretical discussion, bringing together *megaprojects*-related theories and fiscal decentralisation challenges of Kazakhstan. Second, it looks at how nationally imposed projects influence physical urban development. Third, it compares the short-term benefits of the projects' implementation with the long-term economic consequences for Almaty and Nur-Sultan cities under the current fiscal constraints. Finally, it concludes with main findings focusing on why city governments experienced difficulties when aligning *national projects* with local development needs.

Megaprojects and financial sustainability of urban development

Recently, international events (such as the Olympic Games), characterised by a rapidly increasing budget, have obtained the status of *megaprojects* (Gold & Gold, 2017). The selected locations for hosting *megaprojects* have started to move from established Western countries towards Central European (Sochi 2014) and fast-transforming Asian countries (Pyeongchang 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*-related 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 megaevents, driven by their own political objectives (Ortung & 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 (the 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, 2014). 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 the 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 subsidised *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 Nur-Sultan 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 the 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, 2007). 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 the long run. The study of current *megaproject* implementation practice in Almaty and Nur-Sultan may help national and city governments understand how to turn fiscal decentralisation reforms in the country towards financial sustainability of urban development.

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 Nur-Sultan and Almaty City governments play in making *national projects* beneficial for local development. Due to the scarcity of publicly available data¹ 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 programme evaluation approach to identify local evidence of costs versus benefits, without converting them all into quantitative values (Rogers, Stevens, & Boymal, 2009).

The *national projects* are examined based on the adjusted Ziller and Phibbs's (2003) proposed qualitative cost-benefit assessment approach. I employ the Ziller and Phibbs's 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 et al., 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 unexpected negative outcomes (see Table 4.1). Additionally, the matrix was expanded to show not only short-term, but also long-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 long-term perspective.

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 Nur-Sultan (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 and local businesses, 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

Table 4.1 An Integrated Matrix Used to Assess the National Projects

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

Note: Developed by the author.

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.

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 effectiveness and 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, unplanned 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 the 2000 Olympic Games: Super Dome's 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 (pp. 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- and long-term benefits. The aim is to understand how the current institutional challenges impact the cost of a *national project*, 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 increased the amount of public spending. The idea of bidding for a *national project*, such as the ASI-ADA 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 would give a certain impetus for private investment to construction of the world-class sports facilities (Civil servants of Almaty City *Akimat*, personal communication, March 2016). It was expected that in addition to national government support the Olympic facilities would

help to develop the city as a tourist destination. 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 towards 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 Nur-Sultan in the global market, the President gave an order to include Nur-Sultan, 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 Nur-Sultan as the cohosting 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 Nur-Sultan as the cohosting city in 2008, the national government announced that USD 726 million would be allocated for the construction of three sports facilities, the renovation of two sports facilities, and for hosting of the ASIADA 2011 in Almaty (ZAKON KZ, 2007). 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 Nur-Sultan was added as the cohosting city between 2009 and 2011, the Almaty and Nur-Sultan City budgets received ten times more money (USD 7 billion) in national transfers (see Tables 4.2 and 4.3). Nur-Sultan City budget increased from USD 485 million (2004) to USD 2.3 billion (2011), and Almaty's budget increased from USD 595 million (2004) to USD 2.1 billion (2011).

Table 4.2 Nur-Sultan City Revenue Structure before Bidding (2004), during the Preparation, and Hosting of the ASIADA 2011 (2009–2011), in USD Million

| | 2004 | 2009 | 2010 | 2011 |
|-------------------------------------|------|-------|-------|-------|
| National transfers | 227 | 1,475 | 1,362 | 1,676 |
| Local tax revenue | 244 | 409 | 475 | 572 |
| Proceeds from sale of fixed capital | 12 | 21 | 57 | 67 |
| Non-tax revenue | 3 | 14 | 14 | 16 |

Note: Developed by author based on the data retrieved January 10, 2017, from the Ministry of Finance of the Republic of Kazakhstan financial database <http://www.minfin.gov.kz>

Table 4.3 Almaty City Revenue Structure before Bidding (2004), during the Preparation, and Hosting of the ASIADA 2011 (2009–2011), in USD Million

| | 2004 | 2009 | 2010 | 2011 |
|-------------------------------------|------|-------|-------|-------|
| National transfers | 70 | 814 | 915 | 706 |
| Local tax revenue | 473 | 1,013 | 1,163 | 1,367 |
| Proceeds from sale of fixed capital | 45 | 43 | 37 | 45 |
| Non-tax revenue | 7 | 24 | 112 | 21 |

Note: Developed by author based on the data retrieved January 10, 2017, from the Ministry of Finance of the Republic of Kazakhstan financial database <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 Organising Committee of the ASIADA 2011, while Almaty and Nur-Sultan City governments were given the responsibility of local support and development of urban infrastructure for the ASIADA 2011 (Government Resolution No.492, 2007). The Almaty City government missed the opportunity to build all planned sports complexes and had to adjust local plans and cut some of the planned expenses on the development of transport infrastructure. On the other hand, the Nur-Sultan 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 Organising Committee of the ASIADA 2011 stated that hosting the ASIADA 2011 was equal to the simultaneous preparation of two megaevents, requiring the presence of two subcommittees in Almaty and Nur-Sultan. Furthermore, they were faced with unexpected expenses in order to connect the two cities which are 1,000 km from each other (Executive Directorate of the Organising 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, both Almaty and Nur-Sultan 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 Organising Committee of the 7th Asian Winter Games 2011 (personal communication, February 2015). There was a persistent lack of clarity about who had the 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 Organising 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 standards 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 Organising Committee of the ASIADA 2011 from city governments had any experience managing a *megaproject* or knew how to organise 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 Nur-Sultan, personal communication, February 2015). For example, the construction cost of Saryarka Velodrome in Nur-Sultan 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 4.4). The cost of constructing the Sunkar International Ski Jumping Complex

Table 4.4 ASIADA 2011 Sports Facilities

| <i>Name of the hosting city</i> | <i>Type of facilities</i> | <i>Name of building</i> | <i>Capacity</i> | <i>Estimated preliminary cost, in million USD</i> | <i>Estimated final cost, in million USD</i> |
|---------------------------------|---------------------------|--|---|---|---|
| Nur-Sultan | Constructed facilities | Astana Arena | 30,000 seats | – | 185 |
| | | Alau Ice Palace | 7,500 seats | – | 140 |
| | Renovated facilities | Saryarka Velodrome | 8,000 seats | 100 | 148 |
| | | 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 |
| Total | | Shymbulak Alpine Sport Resort | 3,000 seats | – | 200 |
| | | | | | 1,406 |

Note: Developed by the author. 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 Nur-Sultan, June 2014–January 2017.

in Almaty increased 2.2 times from KZT 17 billion (USD 142 million) up to KZT 38 billion (USD 276 million) (p. 18).

Costs also increased because the local job markets of Almaty and Nur-Sultan were not ready to supply the ASIADA 2011 with qualified staff who were familiar with installation of specialised 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 Nur-Sultan, 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).

Because of their desire to look good to the national government, the Almaty City government misinformed the national government and public 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 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-metre-long 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, the Astana Arena sports complex, which was a property of the Ministry of Culture and Sport of the Republic of Kazakhstan, has been transferred to the Nur-Sultan 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 of the Republic of Kazakhstan [MF RoK], 2016). As of 2012, the new line

item of ‘the targeted current transfers to the regional budgets, budgets of Nur-Sultan 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 ten 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 permit 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 of about 30,000, one can hardly observe up to 1,500 visitors’ (Civil servant of Nur-Sultan Akimat, personal communication, March 2016).

Almaty City won a chance to host UNIVERSIADE 2017: Nur-Sultan 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 an additional investment. Furthermore, due to an inability to use the large sports complexes constructed for ASIADA 2011 in Nur-Sultan, Almaty had to make an additional investment for the 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 4.5). 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

Table 4.5 UNIVERSIADE 2017 Facilities

| <i>Name of building</i> | <i>Estimated share of different funding sources</i> | | | <i>Capacity</i> | <i>Estimated final cost, in million USD</i> |
|-------------------------|---|-------------------------|-------------------------------|---|---|
| | <i>National budget (%)</i> | <i>Local budget (%)</i> | <i>Private investment (%)</i> | | |
| 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 square meters/ 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: Developed by the author. 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 Nur-Sultan, June 2016–January 2017.

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 milliard (USD 27 million) (Matrikov, 2016).

Though it failed to be included in the bid for UNIVERSIADE 2017 proposed by the Almaty City government, Nur-Sultan City still obtained a chance to host EXPO 2017 under the direct supervision of the national government. In January 2013, the national company 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 had 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 2017 JSC, 2016). Alongside him, the Board of Directors comprised of the Vice-Minister of National Economy, Chairman of the State Committee of State-owned Property and Privatisation 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 had established exceptional legal conditions for the EXPO 2017, distancing the Nur-Sultan City government from having a management role in the preparation process (Civil servants from MNE, personal communication, February 2016). The *Budget Code of the Republic of Kazakhstan No.95-IV* (2008) was amended to facilitate direct financing of the national company Astana EXPO 2017 JSC. Approximately USD 3 billion of public money bypassed Nur-Sultan's city budget. In 2012, the Nur-Sultan City budget received USD 1,388 million, but in 2016 the national transfers decreased to USD 556 million (see Table 4.6). A special national budget line item was created called the 'special purpose transfer to the national company Astana EXPO 2017 JSC' which enabled 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 (Government of the Republic of Kazakhstan Resolution No.715, 2013). Adaptation of the *Act on Urban Planning, Architectural Design, and Construction Activities in the Republic of Kazakhstan No.242-II* (2001) permitted 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 of the Republic of Kazakhstan No.99-IV* (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.

In addition to adjustment of national legislation, the EXPO 2017 town, occupying 174 hectares of urban land with 25 hectares of exhibition site, 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

Table 4.6 Nur-Sultan City Revenue Structure during the Preparation for EXPO 2017 (2012–2017), in USD Million

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------------|-------|-------|-------|------|------|
| National transfers | 1,388 | 1,162 | 1,114 | 652 | 556 |
| Local tax revenue | 675 | 797 | 778 | 662 | 582 |
| Proceeds from sale of fixed capital | 70 | 66 | 66 | 48 | 19 |
| Non-tax revenue | 49 | 63 | 39 | 27 | 24 |

Note: Developed by author based on the data retrieved January 10, 2017, from the Ministry of Finance of the Republic of Kazakhstan financial database <http://www.minfin.gov.kz>

fees of external consultants assisting in the organisation of EXPO 2017 (MF RoK, 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 when 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 (Tengri News, 2016).

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 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 (see Chapter 3), special attention must be paid to the process of allocating finances for *national projects*. This section aims to analyse how the Almaty and Nur-Sultan 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 left 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's 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, and swimming as well as 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 three 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 flats (including 996 one bedroom flats (40–45 square metres), 560 two bedroom flats (50–56 square metres), 192 three bedroom flats (63–89 square metres)) in the Athletes Village in the Algabas microdistrict. They would be available for rent, with the opportunity to purchase. Right after the UNIVERSIADE 2017, social housing had started to be available for renting at a rate of KZT 1,036 (USD 3) per 1 square metre for maximum of 20 years, with the opportunity to be redeemed after five years of renting (Melayarova, 2016).

Despite all reported achievements, the 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 Nur-Sultan (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 Table 4.7). Only one of the three Almaty Metro lines was completed, and only one fifth of

Table 4.7 Almaty City Revenue Structure during the Preparation for UNIVERSIADE 2017 (2012–2017), in USD Million

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------------|-------|-------|-------|-------|------|
| National transfers | 747 | 642 | 683 | 596 | 437 |
| Local tax revenue | 1,487 | 1,619 | 1,536 | 1,165 | 990 |
| Proceeds from sale of fixed capital | 46 | 58 | 90 | 61 | 23 |
| Non-tax revenue | 20 | 38 | 38 | 40 | 33 |

Note: Developed by author based on the data retrieved January 10, 2017, from the Ministry of Finance of the Republic of Kazakhstan financial database <http://www.minfin.gov.kz>

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).

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 et al., 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 Nur-Sultan City *genplans* were amended for the needs of ASIADA 2011 and UNIVERSIADE 2017 (see Chapter 3), and the preparation for hosting the EXPO 2017 was also started with full adjustment of the Nur-Sultan 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 of the Republic of Kazakhstan No.442-II* (2003) ('*Land Code*' hereafter), 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 requirements 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, including 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 the Almaty City government and its citizens took place during preparation of land for construction of mountain sports facilities for ASIADA 2011. At the time, the 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.² However, during the preparation for UNIVERSIADE 2017, the Akim of Almaty City 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 with the rest of the UNIVERSIADE 2017 sports facilities was suspended due to the damage of the World Heritage property. As reported by International Council on Monuments and Sites (ICOMOS) (2016): '27 July 2014: the construction of the road (in violation of Article 127 of the Land Code, and Article 35 of Heritage legislation) started in the direction of the Sport Center Ak-bulak, 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 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 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).

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 Region budget were transferred to 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 Region government could not obtain any additional national transfers for rehabilitation and fencing of the Talhiz site. As a result, the site remains unprotected from any future developmental impact (personal communication, February 2017). Hence, the Talhiz site case fuelled public critique around *national projects* such as UNIVERSIADE 2017 and EXPO 2017.

The preparation for EXPO 2017 resulted in social conflict around compulsory land acquisition (Kasenova, 2016). According to the new Nur-Sultan *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 day and the total area of 27 hectares; a new terminal, increasing capacity of the airport up to 1,500 passengers per hour; a new 22.4-km-long Light Rail Transport system (LRT) with 18 stations and a capacity of 580 passengers, linking Nur-Sultan International Airport to the new railway station; and 2 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 Nur-Sultan received 250 lawsuits related to acquisition of land plots for EXPO 2017 in 2013 (ZAKON KZ, 2013a). Also, Ms Gulnar Abdigalieva from the Esil district court of Nur-Sultan 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 (ZAKON KZ, 2013a). 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*,³ located on the site of the new railway station (TODAY KZ, 2016).

The *national projects* put Almaty and Nur-Sultan 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 Organising 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). A number of corruption scandals were 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 Ermegiyayev (former Minister of Sports and Tourism), was accused of unjustified spending of over USD 31 million from the EXPO 2017 budget (Green, 2016). Despite 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* was to attract more national transfers. Consequently, the interest in meeting the national government's expectation overshadowed the Nur-Sultan 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 facing criticism 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 criticises 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 clear 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).

The assessment of the *national projects* in Almaty and Nur-Sultan 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 Nur-Sultan cohosted 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 the 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 Nur-Sultan 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 overwhelmed 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 commercialise 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 commercialised 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 Nur-Sultan City government uses its status as the national capital to attract public finances for city branding. The Almaty City government has a specific interest in *national projects* for development of tourism infrastructure.

By prioritising the implementation of *national projects*, city governments have started to distance themselves from their main role of 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 negative outcomes

for local dwellers. 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 their implementation, but also to further maintenance of long-term outcomes of *national projects*. There is a risk that the planned fiscal decentralisation reforms may not work for cities such as Nur-Sultan and Almaty if national funding is invested into local development without strengthening the role of local governments in municipal economic development. The decentralisation of tax collection may not improve the situation in Almaty and Nur-Sultan if local governments continue to be dependent on the national government's top-down decisions related to urban development. If the national government wants to utilise benefits from public investment in new urban developments, there is a need for adequate intergovernmental dialogue and improved public accountability of national and local governments.

Notes

- 1 Not all governmental bodies and agencies publish reports about their activities with open access or disseminate information about current affairs.
- 2 Some active citizens protested on the site, others have created a Facebook group (2017) called 'Let's protect Kok Zhailau'. 'Protect Kok Zhailau' has become a part of the Environmental Justice Atlas (2017).
- 3 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 privatisation and extension of the Nur-Sultan City borders.

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5 Clash of local deputies versus local bureaucrats in urban transport development

Decentralisation 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 to private operators.¹ Despite 20 years of decentralisation, underdeveloped public transport and damaged roads remain among the main obstacles of urban development in Kazakhstan. Poorly managed urban transport is one of the main causes of air pollution in Almaty (United Nations Development Programme [UNDP]/Global Environmental Fund [GEF], 2015). The current public transport systems in cities do not provide passengers with adequate comfort, speed, or safety (Asian Development Bank, 2012). City governments, which are responsible for managing urban transport, have faced significant criticism from citizens for their inability to maintain roads and the improper regulation of the work of private transport operators (Public reporting of Akims of Almaty and Nur-Sultan 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).

The President of Kazakhstan promotes democratisation 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 receive a chance to affect the course of local development through elected *Deputies* forming local representative bodies called *Maslikhats* and working closely with local civil servants from *Akimats* (see Chapter 2) (Nazarbayev, 2015). Furthermore, it is

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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 and Self-government Act of the Republic of Kazakhstan No.148-II, 2001). Theoretically, delegating decision-making power to politicians will help improve the efficiency of public services at the subnational level. However, so far, there has been no investigation into whether local *Deputies* have any influence on the local decision-making processes related to decentralised public services.

Understanding the link between the empowered politicians' decision-making position and the development of decentralised urban transport is especially important in the Kazakhstani cities that were selected for the development of urban agglomerations. Despite positive assumptions made about political decentralisation (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 licences 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 democratising 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 decentralisation of the country. This will help shift the country towards stable economic development in the long run.

Political decentralisation 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 decentralisation 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 an 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 sufficient decision-making autonomy to have an impact on local public service delivery (Makhmutova, 2006). People do not trust the local *Deputies of Maslikhats*, claiming that they are corrupt (Turisbekov, Zhandosova, Tagatova, & Shilikbaeva, 2007). Therefore, the main objective of political decentralisation is not only to provide local people with opportunities to elect their own representatives in local government, but also to create institutional conditions so that elected bodies can become influential and capable actors in the local decision-making process (Fleurke & Willemse, 2006).

The purpose of this chapter is to contribute to a better understanding of the impact that political decentralisation has on local economic development in Kazakhstan. Promoting local development and improving decentralised public services requires the presence of effective local decision-makers capable of using public resources to fulfil public needs (Shah & Thompson, 2004). What makes the politicians under review capable or incapable of managing urban transport is based on the assessment of the behaviour of locally elected officials. The study focuses on the role of *Deputies* who represent their local population, and it critically reviews the assumption 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, the focus will be placed on how *Maslikhats* and *Akimats* in Almaty, Nur-Sultan, Aktobe, and Shymkent cities handle the management of urban transport.

The analysis is based on three main subcomponents of politically decentralised 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 decentralisation. 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 incentivised to carry out decisions fitting their voters' needs (Asanov, 2006; Omarov, 2006). 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. Finally, the third assumption is that locally elected politicians are publicly accountable due to their close work with voters.

The current study seeks to synthesise 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, Nur-Sultan, Aktobe, and Shymkent. The reviewed documents include reports from *Akimats* and *Maslikhats*, minutes from the *Maslikhats'* committee meetings, and financial statistics. The confidential interviews were conducted with current and former civil servants from *Akimats* (ten people) as well as current and former *Deputies* of *Maslikhats* (ten 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 (ten people).

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

Scholars studying political decentralisation argue that there is a difference in behaviour between appointed administrators and elected politicians (Besley & Coate, 2003). Decentralisation proponents emphasise 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 locally elected politicians and assigned bureaucrats of Kazakhstan (Akhmetova & Grigoriev, 2007; Duvanova, 2017). 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 of the public interests.

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 voter 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 did not add any value to local decision-making

because they assumed that locally elected politicians were less efficient than local administrators. Thirty-five per cent of respondents found the work of city *Maslikhats* inefficient, while 27% of respondents argued that the *Akims* are inefficient (Center for Assistance to Democracy, 1998).² A social survey conducted in 2012 demonstrated that the level of public trust remained low: 80% of respondents answered that city *Maslikhat Deputies* did not play any considerable role in local government (Youth Information Service of Kazakhstan [YISK], 2013). Low public trust is mainly explained by the fact that the electorate does not believe in the possibility of fair elections. There is a prevailing public belief that only certain candidates who have 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 and Self-government Act, 2001, Article 23-1). One fifth of the total number of *Maslikhat Deputies* are 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* for consideration by the President. However, there has been no case of *Akim* displacement initiated by the *Maslikhat* so far.

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 socioeconomic 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, Nur-Sultan and Shymkent cities after a consultation with *Maslikhats*. The recent tendency is that former Prime Ministers of Kazakhstan become *Akims* of Almaty and Nur-Sultan. The *Akim* of Aktobe Region appoints the *Akim* of Aktobe City, after consultation with the regional *Maslikhat*. Knowing that *Maslikhats* have been entrusted with certain legal decision-making powers, *Akims* are interested in having people among elected *Deputies* they can trust (Tatilya, 2016).

Seven out of ten interviewed *Deputies* mentioned that to obtain the *Deputy* mandate, it was 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 the case of Aktobe City, which belongs to the second tier of subnational government, informal acceptance by the Aktobe regional *Maslikhat* and the *Akimat* 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 preselect 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 *Akimats*, are especially interested in having controllable *Deputies* because of the *Maslikhats'* legal power to impact on the personal composition of *Akimats* (personal communication, July 2016; May 2017).

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 *Akimats* and even lower level *Akims* have become *Deputies* of regional *Maslikhats*. For example, Ms 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 of the Republic of Kazakhstan No.95-IV, 2008, Article 47). Non-governmental organisation (NGO) leaders, closely working with the local population, represent a minority group of *Maslikhats* as they are controlled by *Akimats* (Experts from local NGOs, personal communication, June 2014; September 2015; June 2016).

The most common feature among all studied city *Maslikhats* is that there is a constant intake of *Deputies* coming from the private sector. The current legislation allows *Deputies* to work for a different sector while fulfilling electoral mandates, since *Deputies* do not receive any monthly salaries; only the *Maslikhat* Secretary is a paid position

(Local Government and Self-government Act, 2001, Article 19). On average, *Maslikhats* of the selected cities are composed as follows: 65% business representatives, 25% state employees, and 10% NGO leaders (see Table 5.1). *Akimats* continue to exercise control over the work of *Maslikhats*, even after the election, because 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). Commissions of *Maslikhats* supervising urban transport-related issues are formed by the *Deputies* who combine their public mandate with top managerial positions in the private sector. 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 in favour of *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, Mr Kairat Balabiev, who holds the paid position of *Maslikhat* Secretary of the South Kazakhstan Region (renamed to the Turkestan Region in 2018), also participates in additional business activities. He is the founder of 'Headwai Incorporated' and the Chairman of 'Kazakh Textile International' (South Kazakhstan Region *Maslikhat*, 2016).

Table 5.1 Composition of the *Maslikhats*

| <i>First tier of subnational government</i> | <i>Second tier of subnational government</i> | <i>Private sector representatives (%)</i> | <i>Public sector representatives (%)</i> | <i>Non-profit sector representatives (%)</i> |
|---|--|---|--|--|
| Nur-Sultan City | | 57 | 39 | 4 |
| Almaty City | | 65 | 24 | 11 |
| Shymkent City | | 68 | 20 | 12 |
| South Kazakhstan Region | | 70 | 18 | 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 Nur-Sultan, Almaty, Aktobe, Shymkent cities and South Kazakhstan and Aktobe regions over 20 years (1996–2016). In 2018, the South-Kazakhstan Region was renamed to the Turkestan Region.

In Kazakhstan, the position of local *Deputy* is rising in popularity. During the 2016 election campaign, 11,133 residents of Kazakhstan (on average three 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. The growing inflow of private actors in local *Maslikhats* might take 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 (Civil servants from the national government, 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*, entrepreneurs are incentivised 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 the *Akim* that facilitates the resolution of emerging issues, bypassing numerous bureaucratic obstacles'. The majority of *Deputies* in the local *Maslikhats* comes from the business sector and has the informal support from local civil servants (Experts from the local NGOs, personal communication, June 2014; September 2015; June 2016). Experts state that *Deputies* who are primarily interested in their private gains and enjoy this informal support discredit their representative role in the local government.

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

As the previous discussion demonstrates, in Kazakhstan, elections do not give citizens the possibility to hold *Maslikhat Deputies* accountable. 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 the *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, and would rather use their local power to enrich themselves while in office (Hudon & Garzón, 2016; Krueger, 1974; Putnam, Leonardi, & Nanetti, 1994). In this section, I focus on how *Akimats* and *Maslikhats* use decentralised public resources that are originally allocated for to the management of public transport and construction of local roads. The analysis rests on the assumption that the delegated decision-making power in the transport sector, in combination with the nationally established *Public Procurement Act No.434-V* (2015), gives both the *Akimats* and the *Maslikhats* the opportunity to work towards only personal gains, instead of the efficient provision of public goods. The purpose of this section is not only to reveal hidden activities of *Maslikhat Deputies* that are often carried out in the shadows of the offices of the *Akimat* and the *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 are leading to the misuse of public resources. In Kazakhstan, city governments are responsible for the distribution of public investment into the development of road networks, and the regulation of the work of public transport operators (Road Transport Act No.476-II, 2003). Responsibilities of *Akimats* include road rehabilitation and construction earmarked 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 (multilevel intersections, pedestrian underground and overground crossings, etc.), and the state compensation to reimburse the trips of vulnerable groups of people (children under the age of 7, retired people, people with special needs, etc.) who are entitled to free 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 applied by a private transport operator. After receiving internal approval from *Maslikhats*, *Akimats* contract private actors to implement works related to construction and refurbishment of roads, and for the 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 5-year-contract basis. These companies are selected by 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, Nur-Sultan, and Shymkent cities were related to the contracting of private companies for construction and refurbishment of roads.³ In most cases, corruption is linked to the misuse of budgetary funds by civil servants or local politicians (Rose-Ackerman, 1999). The Head of the Passenger Transport Department of the Nur-Sultan City *Akimat*, Mr Suleimenov, was sent to jail for 6 years for taking bribes from entrepreneurs of a total amount of KZT 2 million (USD 6,000) (TODAY KZ, 2016). He received money from the private company for contracting them to remove the special road safety equipment (interlocking speed hump). However, this service was not delivered on time and was of poor quality.

The flexibility of the current legislation regulating public procurement procedures permits *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) permits local actors to choose between different types of public procurement such as 'public tender' (competition), 'request of 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 advise his own company to propose the lowest possible price 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 who combined his public position of *Deputy* of the Almaty *Maslikhat* with running his own businesses (Civil servants of *Akimats*, personal communication, February 2015; July 2016). In 2013, the 'Almatyinzhstroy JSC' 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 Nur-Sultan City, amounting to KZT 10.1 billion (USD 66 million).

Recently, *Akimats* have started to use increasingly 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 of the Republic of Kazakhstan, 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 Nur-Sultan, 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 of 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 which then enables them to set up a contract with a preselected company 'from a single source' (Civil servants of Almaty City and Almaty Region *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 refurbishment services. This happens because a certain time is assigned for each bureaucratic procedure. There are 2 weeks for opening 'public tender' and 2 weeks for documentation of its failure. Another 2 weeks are required for opening a new call for 'request of a price offer', and 2 weeks for documentation of its failure. Then, it takes approximately 1 month to switch to contracting 'from a single source'. In Almaty and Nur-Sultan, transport planning experts complain that due to these bureaucratic procedures, road refurbishment (planned to be completed during the summer) is often postponed to autumn, the busiest period when people are back to school and 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 preidentified supplier can be a suitable partner (personal communication, June 2014; February 2015; July 2016). Some of the interviewed *Deputies* mentioned that 'Kazakhdorstroy LLC'

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), 'Kazakhdorstroy LLC', established by the influential entrepreneur Mr Aydin Rakhimbaev, received 11 public contracts for road construction during 2013. This amounted to KZT 125 billion (USD 822 million) of state money.

Not all companies can apply by public tender to serve public transport routes simply because they may not have enough capacity. The main criteria for choosing the best contractor include number and capacity of buses, availability of a technical base for storage and maintenance and bus repairs (owned, leased, or serviced under the contract) (Decree of the interim Minister for Investment and Development of the Republic of Kazakhstan No.349, 2015). The contractors must propose measures for the replacement of buses in the event of malfunction in the course of a route and provide reference letters (from *Akimat* confirming the quality of the formerly provided service). Many private companies fail to supply the city government with the required documents such as reference letter or availability of a technical base. However, *Deputies* could assist their transport companies to prepare 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 the 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 enabled 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 people with special needs, retired people, 0 to 7-year-old children, and mothers with more than five children have the right to use public transport for free (Decree of the interim Minister for Investment and Development of the Republic of Kazakhstan No.349, 2015). 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 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 permit private operators to apply for state compensation (Consultants, personal communication, April 2014; March 2015; May 2016).

Although many city governments are channelling 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 give local governments the opportunity to exercise 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; Organisation for Economic Co-operation and Development, 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 optimisation of public transport routes.

(personal communication, May 2016)

The practice of lobbying preselected winners of public tenders by representatives of *Akimats* and *Maslikhats* leads to unequal competition and informal monopolisation of the public infrastructure development sector in cities of Kazakhstan (Ades & Tella, 1999; Sharipova, 2013). The absence of competition prevents any improvement in the quality of public roads. 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 as *Akimat* civil servants or *Deputies* (Experts from local NGOs, personal communication, June 2014; September 2015; June 2016). Conversely, the presence of roads in need of repair enables private companies to receive new refurbishment contracts because local governments can reapply 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 the public transport system'.

As the previous section demonstrates, local governments of Kazakhstan lack politically independent *Deputies* interested in the efficient distribution of public money and power. On the contrary, local *Maslikhats* are mainly represented by *Deputies* combining their public mandates with own businesses. Legally, *Maslikhat Deputies* are not entitled to carry out entrepreneurial activity, participate independently in the management of an economic entity, or engage in other paid activities (Local Government and Self-government Act, 2001, Article 20). However, the same Article 20 of the Local Government and Self-government Act (2001) allows *Deputies* to combine the public mandate with '...pedagogical, scientific or other creative work'. In fact, locally elected politicians of Kazakhstan seem to 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 behaviour of *Deputies* endangers the decentralised 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 entrepreneur-type *Deputies*.

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 No.410-V, 2015). There is a special national *Code of Ethics of Civil Servants of the Republic of Kazakhstan No.153* (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 organisations' (Almaty City *Maslikhat* Resolution No.222, 2014). Yet, the punishment for not practicing proper ethics includes just two light measures: 'censure' and 'public apology' (Local Government and Self-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 and Self-government Act, 2001, Article 20). However, the Local Government

and Self-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 the *Akim*) are equally accountable to the national government, the general public, and *Maslikhats*, whereas nobody assesses the work of *Maslikhats* (Civil Service Act of the Republic of Kazakhstan No.416-V, 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 and Self-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'.⁴ Most of the *Deputies* limit their interaction with the public to a single formal meeting hosted at a public school that is well attended by parents, but not other demographics. The social survey conducted in 2013 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 fulfil 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 and Self-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 permitted to attend the sessions at the invitation of the chairman of the session' (Almaty City *Maslikhat* Resolution No.222, 2014). The minutes of *Maslikhat* sessions and how decisions were conducted are difficult to find on their official websites.⁵ 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). This lack of transparency does not allow the

public to monitor the performance of *Deputies*. As a result, local constituents cannot meaningfully participate in local elections or request early termination of any *Deputies'* powers.

As this study demonstrates, the empowerment of a local government representative such as the *Maslikhat* does not help improve urban development because of the *Deputies'* inability to act independently from the *Akimat* and because they may put their personal interests before 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 is not conducive to honest, genuine elections or politically independent *Deputies* in *Maslikhats*. The *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 their preferred candidates as well as to put 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 receive 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, in which they have private interests. Instead of guaranteeing honest competition, *Deputies* became involved in manipulating public procurement procedures and tailoring public tenders to preidentified 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 monopolisation 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 government in Kazakhstan continues to be one of the weakest areas, not adequately covered by national anti-corruption 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 permit *Maslikhats* to be held accountable to their citizens, but rather only to a small group of voters. Citizens' rights to freedom of 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.

Notes

- 1 The national government of Kazakhstan came to a decision on a new law regarding demonopolisation of passenger transport that allowed private companies to serve passenger trips (Government of the Republic of Kazakhstan Resolution No.773, 1996). Only recently, Almaty, Nur-Sultan, and Shymkent city governments have started to create their own municipal bus companies (UNDP/ GEF, 2015).
- 2 The study was conducted in seven large cities in Kazakhstan.
- 3 Personal review of the court cases database, access provided by the National Bureau against Corruption, June–August 2017.
- 4 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, Nur-Sultan, and Shymkent.
- 5 Author's finding based on the detailed study of the website of *Maslikhats* of Almaty, Nur-Sultan, and Shymkent cities as well as Almaty, Akmola, South Kazakhstan, and Aktobe regions.

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6 Reconsidering the role of local governments in the Central Asian context

Under pressure to position Kazakhstan among developed countries, the national government continues to initiate administrative, fiscal, and political decentralisation reforms in an *ad hoc* manner, driven by different sectoral policy objectives. By 2050, the country may have achieved the aimed level of urbanisation, 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 population. The study of the impact of administrative, fiscal, and political decentralisation reforms in Kazakhstan showed how the role of local governments in Kazakhstan had evolved and become more complex. Every delegation charged local governments with new responsibilities and expectations. At the same time, these local governments remained to be tightly linked to the national government through legal and fiscal frameworks and joint responsibilities of national programmes and projects implementation. Despite this preserved dependency of local governments from the national government, the national government assume that local governments should be also accountable to the citizens.

According to decentralisation proponents, the delegation of the provision of specific public services to local governments was found to be more efficient because local governments are assumed to be closer to people and businesses, and therefore would be more able to respond to their needs. As the case studies showed, in practice, decentralisation remained ineffective for the improvement of local living conditions when the expected positive relationship between local governments and citizens was actually absent. It can be overoptimistic to assume that there is a close dialogue between local governments and people in the post-Soviet Central Asian countries which have experienced a long tradition with centralisation and a shorter history of decentralisation. People have lived for more than a century under the Soviet centrally

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planned economy without the ability to raise a concern about local development needs. Local governments used to satisfy centrally established development goals and unified standards. Time is needed for a considerable adaptation of political conditions to engage both local governments and citizens interested in an open dialogue. Decentralisation in Kazakhstan lacks institutional conditions to engage the population in local development and to eliminate the perverse incentives of using a delegated power by local governments.

If the national government of Kazakhstan wants to concentrate economic resources in urban agglomerations, it is not enough to assume that local governments are ready to play the role of efficient planners and managers of urban development. It is important to measure the impact of decentralisation and to make evidence-based decisions about future adjustments of the ongoing decentralisation reforms. The case studies helped to identify the weaknesses of local governments in the locally rooted policy functions such as urban planning, public investment, and management of urban transport. Decentralisation failed to bring government closer to people because the delegated responsibilities of local governments did not include any actions to improve willingness and capacities of local decision-makers to be close to local people. Local governments continued to use locally available powers, while ignoring the need to consider citizens' needs in planning and management of local development. As a result, citizens continued to have only limited opportunities to influence local government decisions on urban planning (see Chapter 3), to host international events (see Chapter 4), and to make locally elected representatives accountable for their actions (see Chapter 5).

Without being supported by policies addressing public accountability and ethical conduct for elected *Deputies*, political decentralisation became a serious obstacle to the improvement of local services based on public needs (see Chapter 5). The delegation of decision-making to local representatives led to the willingness of civil servants to regain their power by engaging in informal cooperation with local politicians. Local elections were also impacted by informal relationships between civil servants and elected representatives. This kind of unfair election did not guarantee that public needs would be taken into account by the elected representatives of the local government. Combining their public position with their own businesses, elected representatives became involved in informal cooperation with local civil servants 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 entrepreneurs

combining their businesses with the position of an elected representative. By operating within this hidden agenda revolving solely around money, proper development of the public transport sector, as well as improvements of road construction remained unachievable.

Kazakhstan, like other post-Soviet countries, experiences a syndrome of path dependency whereby local democracy continues to be negatively impacted by corrupt politicians. For example, Ukraine represents one of the post-Soviet unitary states where decentralisation reforms favoured cities of regional importance and which became famous for corruption scandals resulting from the presence of informal networks between local civil servants and local *Deputies* (Dudley, 2019). Local *Deputies* of Ukrainian cities combined their mandates with running local businesses. Decentralisation success in Ukraine was hampered by exclusive attention to some cities and selected regions, as well as, by local politics serving interests of local business elites rather than citizens. Local actors readjusted to decentralised conditions by using delegated powers to benefit own needs rather than public ones. Economic opportunities for all in Kazakhstani cities are only likely to appear if there are improved institutional conditions for effective and transparent interaction among assigned and elected parts of local governments.

Transparency of local government procedures and better mechanisms to foster direct participation of citizens in determining local government actions would help increase a positive development effect of decentralisation reforms. There is a need for change in political culture so that citizens can develop their expectations of the role of local government in the management of local development and have them addressed. Decentralisation reforms should strengthen the role of local governments by supplying them with adequate incentives to steer urban development towards a sustainable and inclusive economic growth that satisfies citizens' development needs. Citizens as main beneficiaries of local development are the best actors for an effective evaluation of the quality of locally provided services. The early engagement of citizens in the planning of urban development can help to avoid future long-term costs related to development conflicts.

As the case study findings showed, the quality of interaction between citizens and local government depends on the capacity of local decision-makers to perform. The lack of local governments' expertise and knowledge to act effectively reduces the quality of urban management regardless of the degree of decentralisation. The national government could promote good planning and urban management practices by building local capacities. If the national government relaxes the current

centralised control over the recruitment of local staff, it can assist local governments in building local human capacities. The delegation of new functions and powers to the local governments can only be efficient if it is complemented by the development of local capacities and continuous technical assistance. Before the delegation of additional responsibilities, the national government could make sure that local governments have adequately trained staff to execute these new functions.

While implementing administrative decentralisation, the national government could grant local governments more political and fiscal autonomy, enabling them to respond promptly to urgent local development needs. However, the local government empowerment with resources and powers is not enough without the development of adequate strategic analytical and financial skills. The lack of adequate financial management practices undermines the ability of local governments to prepare and implement local development projects effectively. The development of evidence-based decision-making and consultative capacities can enable 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. This would be especially true if the management of urban development could be carried out with proper consideration not only of short-term, but also long-term urban development concerns.

There is an urgent need to develop expert knowledge for local government to understand and recognise the different social, environmental, and economic outcomes of their development actions. The national government should be ready to invest in lifelong learning of local government staff. Otherwise, local governments will continue to be reactive, trying to solve development problems with outdated knowledge rather than being proactive in foreseeing and adequately addressing potential long-term development challenges. Particularly, local governments used to working in departments with sectorial objectives would need to learn how to work as a team and come up with an integrated single city development strategy. It cannot be expected that local governments will cooperate with citizens if they do not understand how the integration of public inputs into planning and management can help to achieve better development outcomes. Capacity-building support should cover not only civil servants, but also elected representatives involved in local development. Public accountability of elected *Deputies* cannot be improved if they are not trained in how to establish a transparent, horizontal, and effective dialogue with local voters in open discussions of local development plans, locally produced *rules*, and local budgets.

In Kazakhstan, there is a positive movement towards a dialogue between local governments and the population. In 2018, the Almaty City government has started to engage the population via the Open Almaty initiative (Akimat of Almaty City, 2018). The platform enables citizens to address their concerns and even propose some local development projects to be included in the city budget (Akimat of Almaty City, 2019). However, the local government does not have enough human capacity to adequately collect, analyse, and reflect adequately on the development demands people had expressed. Furthermore, in many cases, the city government lacks the autonomy to solve these local development issues. For example, in 2019 Almaty City government invited the expert community to contribute to the *Almaty City Strategy 2050* (Personal participation in the experts' meeting, October 2019). During expert discussions, it became obvious that the city government cannot solve most of the infrastructure development and maintenance-related issues due to the nationally established regulatory standards and budgetary constraints.

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. Decentralisation of urban planning in Kazakhstan, which lacks special legal conditions motivating local governments to focus on citizens' needs, decreased the quality of local development plans (see Chapter 3). Despite delegating the *genplan* production to local governments, the national government maintained its leading role in the regulation of the process of the *genplan* production and approval. As a result, urban planners had to continue the Soviet tradition of *genplan* production based on nationally established unified standards and *norms*. This dependency on national *rules* prevented planners from integrating local development needs in their urban development plans and addressing some important development challenges which the new economic realities brought about.

The careful attention to local needs and empowerment of locally developed plans and *rules* can be more beneficial than continuous amendment of national-level regulations, leading to further sectoral segregation and legislative confusion. The national legal and normative frameworks guiding urban planning devised by the national government must not be adopted without being questioned by local governments and citizens, so that they can be carefully reassessed and adjusted to local needs. A better solution than dependency on the unified national standards and *norms* would be for city governments to elaborate on new planning and development processes themselves.

Local policies and *rules* based on public inputs can become strong tools for the regulation of urban development in a transparent manner.

Kazakhstan is not alone in needing to balance national with local development needs. Some lessons can be learned from European decentralised unitary states such as the Netherlands. Local governments (provincial and municipal authorities) of the Netherlands are responsible for urban planning, but it must be implemented based on regulations established by the central government (Organisation for Economic Co-operation and Development [OECD], 2009). As a result, in 2006, the administrative burden of the tasks delegated to municipalities from by the national government based on national regulations reached 90% share of all the administrative burden on business. The central government and Association of Netherlands Municipalities (VNG) have started to work on deregulation actions aiming to decrease the local level development burden resulted from the national regulations. The national government of Kazakhstan can also try to engage in conversation with local governments to find out the best way to balance national and local *rules*.

The national government could start its partnership with local governments with the joint revision of the national and local level administrative functions related to the planning and management of local development. The early engagement of local governments in the policy-making process can help to identify and address local implementation challenges that can be related to the nationally proposed programmes and projects. The national government should discuss all new functional assignments with local governments before delegating them. It is important to learn from local governments what kind of resources, capacities, and incentives would have to be supplied for the proper implementation of the assigned managerial duties. Partnering with local governments can enhance coordination between different ministries often competing and duplicating each others' functions on the local level due to the prevailing sectorial approach.

In many cases, underdevelopment of legislation leads to situations in which local governments lack legitimacy in meeting newly assigned responsibilities when they have only limited access to power and resources. Constant dialogue with local governments will enable the national government to uncover and reduce conflicts between sectoral laws and decentralisation reforms. Legislative reviews with the participation of national and local level actors can help detect poorly funded or unfunded mandates, as well as duplicated inefficient functions that can be enhanced by their integration at the local level. For example, national sectoral policies regulating physical planning, environmental

protection, economic planning, land management, taxation, and budgeting at the city level prevent local governments from managing urban development in an integrated manner. 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.

The intergovernmental dialogue between the national and local governments can relax the established system of central control and strengthen the accountability of local actors in front of their constituents. The national budget processes related to local development should also be open for consultation with local governments because *national transfers* and their conditionality directly affect the capacity of local governments to function effectively. There is a positive move towards the open budget system (Akimat of Almaty City, 2019) that can be enhanced by strengthening public control over local spending and diminishing the national government participation in the additional authorisation of the locally approved budgets. The transparent management of local funds can be achieved if the national government encourages citizens' participation. Local governments should be seeking to satisfy people's needs rather than meeting centrally imposed input and output standards of local service delivery.

The national government should supply city governments with adequate capacities and incentives to interest them in the efficient use of existing urban spaces and local resources. As the case studies showed, lacking fiscal motives 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 the deterioration of the lived environment (see Chapter 3). City governments failed to balance local public needs with private interests as they lacked control over the land-use management. The budget line was allocated for the production of *genplans*, but not for its implementation. *Genplans* failed to serve as a local regulatory tool because they were detached from economic planning, budgeting, and land use.

The current dependency of local budgets from national transfers makes the local government look at what national government wants to finance instead of focusing on citizens' and enterprises' needs (see Chapter 4). As they are not supplied with own development budgets or local taxation power, local governments remain dependent on *national transfers* allocated by the national government. The dependency on national transfers created warped incentives for city governments of Kazakhstan to host international events despite the absence of

knowledge on how to make these events beneficial for cities in the long run. Lacking fiscal autonomy and political power to express public interests, Nur-Sultan 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 the lowering of the public's trust in the national and local governments.

Similar urbanisation-driven decentralisation reforms leading to perverse incentives could be observed in China that is a unitary state in East Asia. Chinese cities could achieve the current development dynamic because the national government delegated a great autonomy related to land-use management to local governments (OECD, 2015). The national government created Urban Development Investment Corporations that provided local governments with financial tools to boost urban development. However, local governments of China continued to meet certain constraints in physical planning. Local governments could not use master plans they produced based on the nationally established standards to regulate the use of land. However, local governments could increase local revenue by selling land-use rights and expropriate (with modest compensation) rural land to convert it into state-owned urban land. Like Kazakhstani local governments, Chinese city governments were not interested to control extensive cities growth. As a result, urbanisation led to inefficient use of urban land, increased air pollution, and a problem of urban sprawl. To combat the fast urbanisation challenges, the central government of China has started to find a way to strengthen horizontal collaboration between local governments by forming large metropolitan areas.

The spatial development strategy selected by the national government to boost urbanisation in Kazakhstan presents an opportunity to strengthen the roles of city and regional governments. However, the national government needs strong local governments to use urban agglomeration as drivers of national economic development. The country can benefit from urbanisation if decentralisation reforms enable horizontal cooperation between subnational governments because planning and management of urban agglomerations require joint efforts of a neighbouring city and regional governments. Currently, there is interregional competition between local governments for *national transfers* and other benefits delegated by the national government. National legislation does not permit local governments to have horizontal interregional financial exchanges. There are no incentives created

to enhance coordination between the city and regional governments to develop and implement a strong agglomeration strategy.

The national government of Kazakhstan should combine urbanisation and decentralisation efforts to incentivise city and regional governments to cooperate in optimising local resources rather than competing for extensive use of scarce resources like regional land. For example, many unitary states like European Nordic countries support decentralisation reforms with the development of horizontal cooperation between local governments by promoting networks (Hörnström, 2013). Local governments cooperate across administrative boundaries by becoming members of regional networks. These regional networks help local governments not only to cooperate with neighbouring local governments, but also to engage with other public and private actors. The development of existing networks between public and private actors in Almaty City and Almaty Region can be formalised and strengthened by the inclusion of local governments.

‘Strong country based on strong regions’ was the key motto of the election campaign of Mr Kassym-Zhomart Tokaev, a new President of Kazakhstan elected in 2019 (Tokaev, 2019). He promised to continue decentralisation reforms started by former President Nazarbayev and focus on the empowerment of local governments and engagement of citizens in local and national decision-making. In his first President’s address to the people of Kazakhstan, Mr Tokaev proposed to pilot a tool for the assessment of local government’s performance by the local population and to provide incentives to local governments to develop a local revenue base by reforming the national fiscal system (Mauletbai, 2019). In addition to this, he emphasised the need to empower the city governments of Almaty, Nur-Sultan, and Shymkent by delegating them more autonomy in urban planning and management of urban transport system.

The positive political environment creates a new dynamic in the country for further research on how administrative decentralisation of urban planning can contribute to regional development and horizontal intergovernmental, mutually beneficial interaction between cities and regions. The study results emphasise that instead of assuming the presence of preconditions required for positive results from decentralisation reforms, the national government needs to engage in a conversation with local governments and invest in research to answer wide range of important questions. How to balance vertical, intergovernmental interests of national and local governments in urban development under global economic development pressure? How to improve efficiency, transparency, and accountability of the use of public funds at local

levels of Kazakhstan? What kind of key preconditions would have to be created for successful empowerment of local governments? How to increase local governments' desire to work closely with citizens and respond to local development needs? What are the best ways for effective engagement with people in different cities and regions of the country?

Decentralisation holds significant potential for strengthening the role of local governments in development. However, the implementation realities often are more complex than the assumed decentralisation impact. Decentralisation in Central Asia cannot simply follow the western democratic models proposed by scholars, mainly originated from federal states. The local governments of Central Asia operate within a set of different rapidly changing political, fiscal, and administrative intergovernmental relations that makes it vital to carry out a country's own evaluation of the efficiency and appropriateness of decentralisation actions before their adoption. Therefore, in this book, the main attention is paid to the evaluation of decentralisation impact by studying the practical roles of local governments in Kazakhstan. As the Kazakhstani case studies showed, caution must be exercised in the application of decentralisation reforms in the context in which the national government wants to use cities as drivers of the national economic development. Lacking adequate human, financial, and institutional capacities and incentives to serve local needs, city governments of Kazakhstan remain ill-prepared to execute delegated responsibilities to plan and manage urban development.

The book highlights an emerging, urgent need for a single workable decentralisation strategy in Kazakhstan aiming to eliminate key administrative, fiscal, and political obstacles hampering the capacity of local governments to coherently reflect local needs. Delegation of policy-making and fiscal powers to local governments should be delivered with adequate motives for local governments to be interested in focusing on citizens and the practical needs of key taxpayers. Political empowerment of local governments will only permit effective integration of public input into local policy-making when it is supplied with a mechanism of direct accountability of local decision-makers to their voters. The studies indicated some of the possible risks associated with centralisation in the context of case study cities and regions of Kazakhstan, but they did not include any detailed analysis of possible dangers of excessive decentralisation. The book does not advocate extreme decentralisation or detachment of local governments from national government priorities. Kazakhstani cities are not economically strong to survive on their own, and they require national government support to sustain themselves against an external economic impact.

The book shows a perspective of adapting ongoing decentralisation reforms within the frame of the unitary state to strengthen the local governments' role in planning and management of urban development. The main rationale of the book 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 limitation could be the fact that the attention was only paid to functions of local government related to urban management which were affected by the nationally initiated decentralisation reforms specific to Kazakhstan. However, the findings of the country-specific case studies are still useful for the adjustment of national reforms and making decentralisation beneficial for urban development. The book 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. This book may open the door to broader policy research focusing on how conducting country-specific case studies can help Central Asian countries to achieve better decentralisation strategies and pathways to help their cities move towards, and contribute to sustainable economic growth.

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