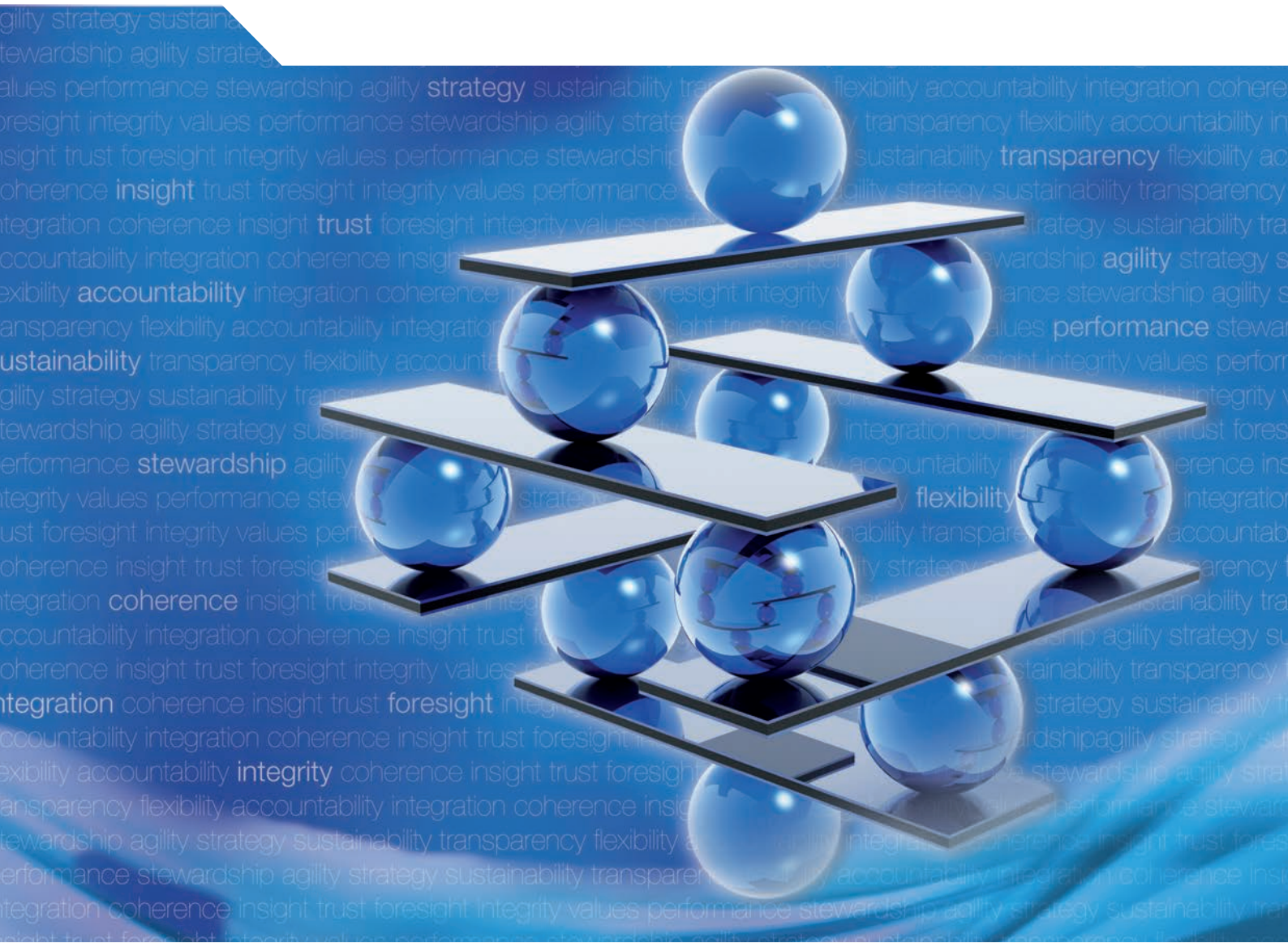
OECD Public Governance Reviews

KAZAKHSTAN

REVIEW OF THE CENTRAL ADMINISTRATION



OECD

OECD Public Governance Reviews

Kazakhstan: Review of the Central Administration



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Foreword

The *OECD review of the central administration in Kazakhstan* was carried out under the programme of work of the OECD Public Governance Committee, based on its long-standing expertise in public governance reforms and strengthening administrative capacities of member and non-member countries. This work was conducted within the OECD Kazakhstan Regulations for Competitiveness project, which is co-financed by the European Union and the government of Kazakhstan, as part of the OECD Eurasia Competitiveness Programme (Global Relations Secretariat). The project aims to enhance Kazakhstan's sector competitiveness through better regulations and institutions.

Over the past decade, Kazakhstan has made important policy strides, progressed towards developing a rules-driven fiscal framework, strengthened public management and allocated resources for improved social services and critical infrastructure to sustain growth, although many governance challenges remain, including reducing corruption and strengthening rule of law, democratic processes and civil society in the country. In this regard, Kazakhstan has set itself a long-term target to strengthen the quality of the country's democratic institutions and to join the rank of the top 30 developed countries by 2050.

The purpose of this Review is to support the government of Kazakhstan in improving the quality of its public governance and making further progress in the development of a modern and efficient public sector. To this end, this Review aims to assess the functioning, structure and organisation of the Centre of Government and several line ministries (the former Ministry of Industry and New Technologies, the Ministry of Education and Science, the Ministry of Agriculture and the former Ministry of Environment Protection, hereinafter "pilot ministries"), and their capacities to implement national objectives and priorities. This Review focuses on central tools to implement a government-wide agenda, strategic management and accountability frameworks and institutional functions and responsibilities in the government of Kazakhstan, in line with the General Approaches to Modernization of Public Administration of Kazakhstan by 2020. It offers concrete advice to policy makers to improve the quality of public management and governance, enhance the effectiveness of central and local public bodies, including through rebalancing of Centre of Government and ministerial functions and roles and enabling greater ministerial autonomy. Recent public administration reforms show that Kazakhstan has been making progress in achieving these goals, yet further reforms would be fundamental to solidify these recent developments.

This Review is based on information provided by the government of Kazakhstan as of August 2014. In particular, the ministerial assessments presented in annexes E, F, G and H do not account for the effects of the organisational changes announced by the President of the Republic on 6 August 2014 in order to improve the effectiveness and efficiency of the government. Although some of the ministry-based findings and recommendations of the review may certainly be affected in the light of the changes in ministerial portfolios, the substantive analytical elements remain relevant after the

organisational changes. Importantly, the organisational reforms started in August 2014 appear to go in the direction recommended by this Review, including the efforts to increase the autonomy of line ministries and local governments.

This Review provides a foundation for future engagement between Kazakhstan and the OECD, as part of the upcoming 2015-16 OECD Kazakhstan Country Programme, which will aim to support the implementation of some of the recommendations contained in this Review. This work will take place within the framework of the 2013 OECD Resolution on Strengthening the OECD's Global Reach reaffirmed by OECD Ministers at the 2014 OECD Ministerial meeting, which underlined the Organisation's contribution to the inclusive and sustainable development of the world economy by strengthening its partnerships with various countries and regions.

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Executive summary

Kazakhstan has made remarkable progress in the decades since its independence from the Soviet Union in 1991. Significant recent reforms include the development of a rules-driven fiscal framework, the strengthening of its public management and business climate, and the allocation of resources for improved social services and critical infrastructure to sustain growth. As part of its long-term development vision, the country's ambition is to join the ranks of the 30 most developed countries in the world by 2050.

Nonetheless, there are a number of challenges faced by Kazakhstan's public sector, including the need for greater democratisation and decentralisation of power, strengthening transparency and accountability, strengthening quality and professionalism of public institutions, promoting citizen- and business-centricity, and eliminating corruption. The country recognises that addressing these challenges would be critical to achieve its objectives. Indeed, the development of democracy and strengthening of public institutions were identified among core pillars in the Kazkahstan's Strategy 2050.

This review focused on assessing the efficiency and effectiveness of functioning of the Centre of Government (CoG) and ministerial institutions in Kazakhstan. It has identified the following priority areas for action in Kazakhstan in order to strengthen the quality and efficiency of its public institutions:

- **Re-assessing the role and capacities of Kazakhstan's ministries, including granting them greater autonomy and involvement in the policy-making process.** Currently, there is a strong focus in the CoG in Kazakhstan on maintaining political control over policy decisions, strategic planning and top-down daily management and oversight of the implementation of the Government agenda. While possibly legitimate at the earlier stages of development of the country, looking ahead, this approach could undermine the autonomy, responsibility and accountability of ministries. Greater ministerial autonomy would be necessary to steer the country towards the achievement of its objectives and ensure quality policy analysis necessary to deal with increasingly complex issues. It shoud be accompanied by clear accountability frameworks focused on results. Moreover, the roles and responsibilities in terms of decision making of the Cabinet, ministries, sub-national levels of government and subordinate organisations could benefit from greater clarification. The government of Kazakhstan has acknowledged these challenges and has started taking steps towards greater delegation of authority and greater empowerment of ministries as part of its package of administrative reforms until 2020. These, among others, include the preparation of a draft law on the delineation of authorities between the CoG and reviewing the current roles of ministries, central agencies and the Government. Further, more comprehensive steps would be necessary to enable the necessary capacities and the culture change in the Kazkahstan's public sector to support ministerial empowerment and high performance.

- **Reviewing the functions and roles of central agencies.** Most recently, the Government has made major efforts to consolidate its central functions as part of the 2014 administrative reforms. Yet some central functions still remain fragmented and would benefit from further review. More generally, the ability of CoG institutions to act as a collective body could also be strengthened in order to provide a coherent and co-ordinated steering of the implementation of the country's long-term vision. This however would require careful balance between ministerial empowerment and central steering, which would call on the centre to adopt "softer" tools to stimulate ministerial performance and develop risk-based approaches to oversight. Finally, in order to steward a modern public administration, the CoG in Kazakhstan would need to strengthen capacities to introduce new management tools such as risk management, evaluation of policy and programme effectiveness and strategic HRM.
- **Promoting transparency and citizen participation in policy making, monitoring and evaluation.** Kazakhstan has already introduced multiple steps to promote public consultation, including the establishment of expert councils and online citizen involvement. Yet these practices are unevenly implemented and consultation with external stakeholders is often limited to formal meetings that do not always provide sufficient opportunities for policy discussions. In addition, further efforts are needed to strengthen citizen-centred approaches to service delivery, including systematic collection of user-feedback. Finally, Kazakhstan would benefit from further development of mechanisms for dispute resolution with public authorities (e.g., administrative justice) to enable greater accountability, transparency and protection of citizen rights.
- **Improving horizontal co-ordination at the central level.** While extensive co-ordination mechanisms do exist in Kazakhstan, both at the central and ministerial levels, they appear to be too formal and operating primarily at the high level, which reinforces a top down approach to daily management. Currently, the relations between ministries are confined by their strategic plans, yet many other issues require cross-ministry co-operation, for which co-ordination mechanisms are still insufficiently developed. Inter-ministerial and central agency co-ordination and collaboration could be strengthened by promoting informal and working level co-ordination, as well as by introducing horizontal accountability frameworks and the development of rotational programmes for civil servants.
- **Enhancing strategic human resource management and performance budgeting.** Kazakhstan has been advancing major civil service reforms in the past years aimed at professionalising civil service and strengthening public sector integrity. Yet the turnover among civil servants remains high, and situations where officials are required to monitor and report on their own work are still too frequent. The central and ministerial human resources functions also need to be reviewed to enable a strategic approach to personnel management which should be linked to overall performance of public organisations. Moreover, while important steps have been taken in Kazakhstan towards implementing results-based budgeting, further efforts are necessary to achieve genuine coherence and alignment in the strategy- and budget-setting practices.

- **Advancing performance and accountability system for programme and management results.** Kazakhstan has already made significant achievements in terms of performance assessment, such as streamlining a system of assessing effectiveness of public organisations, undertaking programme assessments and developing the concept of state audit. Yet the indicators appear to be too numerous, often focusing on output and process indicators. In addition, there is room to increase comprehensiveness of the system of assessment of effectiveness of public organisations, while reducing the overall reporting requirements by introducing risk-based monitoring and assessment approaches in Kazakhstan.

Assessment and recommendations

Introduction

Kazakhstan is a dynamic country that has undergone important economic and political reforms

Kazakhstan is emerging as the most dynamic economic and political actor in Central Asia. Over the past decade, the country made significant improvements in its allocation of resources, business climate, human development and quality of public administration. Building on this success, Kazakhstan has set a new long-term target to join the rank of the top 30 developed countries by 2050. Yet despite remarkable recent transformation, Kazakhstan continues to face a number of challenges which can undermine the sustainability of the country and its ability to achieve its objective of becoming one of the most advanced countries in the world. These challenges include growing regional disparities in wealth distribution; a persistently high poverty rate, particularly in rural areas; limited human capital; corruption and the need to strengthen the rule of law, democratisation and openness, including citizen participation in policy processes.

Implementing ambitious long-term plans requires more sustained attention for successful reforms

The government recognises the need to develop a diversified economy to enable sustainable long-term economic growth and is investing significant efforts into the modernisation of the industrial base in the country. The Strategy Kazakhstan-2050 plan, which provides a long-term vision for the development of the country, underlines the importance of a positive business environment, a diversification of the economy and country competitiveness, as well as social justice for achieving this objective.

The ability of the country to reach these objectives will depend, to a large extent, on measures to strengthen governance, including enhancing government accountability, transparency, quality of democracy and the rule of law, safeguarding judicial independence, reducing bureaucracy and tackling corruption. These measures would have positive effects for business and citizen confidence in Kazakhstan, and help boost foreign and domestic investments and development. Public sector efficiency and capacities must also be strengthened. Moreover, in the context of Kazakhstan, with its vast territory, low density of population and remote regions, it will be critical to increase consistency of government actions in providing better access to the higher quality public services across levels of government in order to ensure the provision of basic services for different target groups of population using multiple channels of face-to-face and technology-based service delivery methods. In addition, the challenges faced by Kazakhstan are complex; they require a multi-sector, coherent and whole-of-government approach to policy design and implementation. As such while the current reforms support ongoing improvements in public administration, Kazakhstan will need to enhance the Government's ability to set, co-ordinate, implement and monitor the performance of its strategies in order to ensure the implementation of its long-term agenda.

This review focused on assessing the efficiency and effectiveness of functioning of the Centre of Government (CoG) and ministerial institutions in Kazakhstan. Within its scope, it has identified the following priority areas for action in Kazakhstan in order to strengthen the quality and efficiency of its public institutions:

Increasing the capacities, autonomy and involvement of ministries

1. The autonomy and results-based accountability of ministries in Kazakhstan remain limited.

Currently, the process of involving ministries in generating high-level government priorities is uneven. The ministries should also be encouraged to have a greater say in developing high-level objectives and government strategic plans, while also ensuring better integration of their plans with the centre's objectives once the overall national goals are set.

In addition, there is a strong focus by the CoG on maintaining central political control over decisions, top-down daily management and oversight of the implementation of the governmental agenda. While possibly legitimate at the earlier stages of development of the country, looking ahead, this approach could undermine the autonomy, responsibility and accountability of ministries necessary to steer the country towards the achievement of its objectives. There is also a strong reliance on "hard levers" to ensure government-wide performance by the central institututions, such as active reporting and oversight, performance measurement and accountability systems to reinforce the implementation of policies, by the CoG to stimulate performance across the government, which are not always the most effective in changing behaviour. Enabling greater ministerial empowerment would require greater focus on the so-called "soft levers" by the CoG, including the facilitation of the exchange of good practices, research, an incentives structure, network creation and information sharing.

Recommendations

- Enhance the autonomy and role of ministries, including in generating policy priorities and targets for strategic policy documents by strengthening formal channels of consultation and communication with ministries and other governmental stakeholders and facilitating a bottom-up priority identification. This requires greater delineation of competencies across different government entities, including the Government, ministries, their subordinate organisations and sub-national levels of government.
- Develop a risk-based and results-oriented central monitoring and oversight system to strengthen ministerial accountability for outcomes and create a high-performance culture in ministries. This will require delegating greater responsibility and accountability for administration of ministries and agencies and sectoral policy making to deputy ministers and executive secretaries. It will also call for the streamlining of management policies and making it clear that management accountabilities rest with ministries while the centre would provide a results- and risk-based oversight. The ministries would need to be given enhanced discretion to manage, but within a general framework of guidance and accountability established by the centre.
- Strengthen reliance on soft levers for ensuring policy and programme implementation by the Centre of Government to promote a high level of performance and collaboration across ministries.

Moreover, the roles and responsibilities in terms of decision making of the Cabinet, ministries, sub-national levels of government and subordinate organisations could benefit from greater clarification. The government of Kazakhstan has acknowledged these challenges and is taking steps towards greater delegation of authority and greater empowerment of ministries as part of its package of administrative reforms until 2020, including preparation of a draft law on the delineation of authorities between the CoG and line ministries.

2. There are important remaining gaps in ministerial capacities, including policy analysis, research and risk management capacities.

Policy making in Kazakhstan's ministries is largely determined by the planning process, and ministries have few reasons to invest scarce resources in documenting the raison d'être and the final consequences of their actions. The lack of autonomy of ministerial services in policy making is likely to reinforce their lack of interest, and also of resources, expertise and technical tools, for aspects of policy design that fall outside of the planning exercise.

In addition, greater attention could be devoted to ensuring capability of human resources in developing government programmes. Several stakeholders noted that often government programmes require specific expertise, which is lacking among the current ministries' staff. To ensure effective implementation of these programmes, greater attention is needed to the development of necessary skills and competencies among public servants prior to enacting the programmes. This need is linked to the importance of the strategic human resources planning process, which should be linked to business planning, including government programmes.

Another trend that affects the level of ministerial capacities includes frequent changes in the ministries' and agencies' portfolios. In the 14 years that have elapsed since its adoption, the presidential decree on the structure of the government has been amended 21 times – and most amendments have enacted several portfolio changes. These changes could also be attributed to the gradual building of a modern State during the first transition phase. Some changes, however, have pointed towards the absence of clear strategy with regard to the functions at stake.

Currently the government of Kazakhstan has a ministerial review tool which could be used to understand the level of capacities in the ministries. Thus since 2010, the government of Kazakhstan has been undertaking systematic annual functional reviews of central government bodies. These reviews focus mainly on the assessment of legally mandated functions and provide very important tools for decision making in the government of Kazakhstan. However, these reviews do not yet focus on the actual capabilities of ministries in delivering on their legal mandates nor do they assess the effectiveness of these functions and their implementation.

Kazakhstan is already taking steps to build capacities in the public sector, including training, strengthening Academy of Public Administration and developing competency frameworks. Given that the legal status provides the Academy with a monopoly for provision of education and training services to government institutions, there is an opportunity to position the Academy to play a strategic role in strengthening capacities of the public sector in Kazakhstan.

Recommendations

- Strengthen the capacity of ministerial departments to perform policy analyses, conduct and fund research, and collect data. Implement information exchange tools and procedures between departments, committees and subordinate bodies. When synergies are important, reintegrate the subordinate bodies in charge of data collection and analysis into ministries. The Centre would play an important role in identifying capability gaps and providing the necessary support to ministries to ensure that they have capacities to deliver on current and future government priorities. While the long-term objective should be the creation of policy units with strong analytical capabilities, one concrete way of moving in that direction would be to enhance the ministries' role in assessing the likely consequences of their regulatory initiatives.
- Staff development should go hand in hand with greater autonomy of ministries and agencies and a modification of the nature of administrative work – otherwise it would only contribute to a costly bureaucracy. Conversely, it would be unrealistic to expect ministries to take on new responsibilities in policy analysis and formulation in their present resource conditions. The gradual decentralisation of policy design from the Centre of Government to the ministries, and increased flexibility granted to the latter, should therefore be backed by a long-term development of their human resources.
- Expand the functional analysis of ministries to integrate an assessment of factual situations and capabilities, including the effectiveness, efficiency and capacities of ministries and agencies as well as a thorough identification of policy gaps and synergies, based in particular on international comparisons. In time, build a permanent capacity to analyse the machinery of government on an ongoing basis. The functional reviews initiated in 2011 are an important step in this direction.
- Reduce the frequency of changes to the structure and mandate of the ministries to increase organisational stability. Machinery changes temporarily disrupt the affected administrations, induce material costs and can generate losses in organisational culture, motivation and productivity. In short, they have to be considered only when their necessity and utility have been clearly established, and even when that is the case, have to be implemented with caution in order to improve their chances of success and to minimise their costs.
- Broaden the focus of the Academy of Public Administration to include responsibilities for leadership development and developmental programmes to facilitate the lifelong learning and training of public servants, supported by a programme of applied research and knowledge management. Consider introducing developmental programmes for high-potential civil servants. Matching policies and strategic framework with capacities and competencies of public officials on the ground is critical to ensuring effective implementation of government plans and priorities. This calls for effective and efficient ways to build capacities and ensure ongoing learning and development of civil servants.

3. **Strategic planning has a critical role in implementing a national vision and ensuring co-ordination across the government,** but its top-down and all-encompassing nature can be detrimental to the sense of initiative and responsibility for a policy field in ministries.

Overall, Kazakhstan's performance in setting long-term vision and objectives has been impressive and has a relatively good track record of implementation since 1997. However, this planning system is more complex than that of the most advanced OECD countries, and therefore, there may be an opportunity to simplify, streamline and better integrate the overall planning framework to reduce the number of documents and component steps.

In addition, the planning process appears to follow a two-way path, at least formally: from the line ministries, agencies, public corporations and local government authorities towards the CoG during the inception phase; and back during the implementation phase. All relevant public entities are asked to provide inputs for the elaboration of a new long-term plan or concept. In practice, however, the bottom-up part of the process seems rather weak and unstructured, especially when compared to its top-down part. On average, services of line ministries have little experience and practice of providing ideas to the centre. The ministries have a limited ability to conduct research and analysis, develop projects that have not been already included in their strategic plan, and test policy options in partnership with public and private organisations. Their strategy departments, which should be instrumental in identifying new issues and designing policy responses, are often submerged with the tasks imposed by the planning process, which include a large share of reporting and control.

As also acknowledged in the Concept document on the system of strategic planning in Kazakhstan, the planning system needs to do more to empower ministries, agencies and local governments, while at the same time still emphasizing areas where co-ordinated action is needed. To move forward, it also seems necessary to break away with planning's traditional all-encompassing coverage, and to gradually restrict its scope to a limited number of cross-ministerial policy priorities.

Recommendations

- Simplify the strategic planning process and introduce an updated model with a simplified system of multi-year rolling planning and budgeting within a medium-term framework. Setting a strategic vision and establishing big picture citizen-centric objectives for the economy and society is a core role of the Centre of Government.
- Reform the planning system by *i)* collecting in a systematic and transparent way contributions from all parts of the government to the elaboration of high-level planning documents; *ii)* initiating a gradual reduction of the scope of planning with the aim to focus on a limited number of governmental priorities and areas of inter-ministerial co-operation.

4. **The current focus of ministries' performance efforts appears to be more on ensuring the legal implementation of strategic initiatives,** rather than on the effectiveness of the programmes themselves.

Currently there does not seem to be an incentive for ministries to undertake Regulatory impact assessments (RIA) of proposed regulations, as main provisions for such regulations often stem from the planning process. Moreover, given that the scientific expertise for regulations is mainly sought from external sources, this rule deprives ministerial services from the opportunity – and the incentive–to investigate the broader consequences of their proposals. These challenges are also compounded by limited HR capacity, lack of common methodology and data.

In addition, there appears to be a large institutional divide between departments and committees. Local services appear to provide little information about work processes and outcomes to the central level of their committee outside of their formal assignments; the central committee levels do not seem to play any substantial role in strategy and policy design by the departments. In some cases, departments did not have the expertise to elaborate subordinate laws and regulations, and this responsibility has been transferred to

committees–in opposition to the governmental rule that defines regulatory functions as a prerogative of departments. In such cases, committees have developed their own teams of legal experts. This sharing of responsibilities reinforces sectoral silos within ministries, and leaves a gap between policy making and the knowledge of concrete social, economic, technical and environmental conditions. Moreover, the distinction between policy design and implementation is at risk of being blurred if the linkages between the two activities are not acknowledged and formally integrated in the organisation of the ministries.

Finally, the existing process of evaluation of regulatory drafts has the merit of introducing the principles of justification, effectiveness and efficiency. But some of its practical aspects bring it closer to a light form of external quality check than to a full-fledged RIA.

Recommendations

- Reform the regulatory development process in order to make ministerial services responsible for a complete Regulatory Impact Assessment (RIA) and to submit its results for external scientific evaluation on a more systematic basis. Provide ministries and agencies with RIA methodological guidelines. Ministerial services seem best placed to assess the complete range of effects of their policies, and the practice of this form of assessment would naturally increase the quality of their regulations.
- Strengthen routine relations between departments and committees, notably by giving committees a role in the policy design process. In conjunction, prevent committees from developing regulations as well as regulatory capacities. Effective channels and procedures need to be built to give to the central level of ministries oversight on implementation and enforcement activities, and to collect feedback from the local level regarding the adequacy of policy measures.

5. The government has committed to have every ministry and agency develop a risk management strategy.

Currently, there are no real tools or guidelines for risk management in the government of Kazakhstan.

In addition, Kazakhstan's ministries and agencies lack both such capabilities and the incentives to invest in their development. However, the Government has outlined its plans to develop more robust approaches to managing risks across the government, which can serve as effective tools to build analytical capacities in ministries and strengthen ministerial autonomy in developing policy options based on sound risk assessment.

Recommendation

- Elaborate detailed risk management guidelines; instruct ministries and agencies to implement the guidelines and enhance their risk analysis capabilities; submit the risk management strategies to the same stakeholder consultation and scientific assessment requirements as draft regulations. A first positive step would be for the Centre of Government to provide guidance on the philosophy, procedures and results of risk management, as well as precise implementation steps and responsibilities. After implementation, it will be important to build capabilities for risk analysis in ministries and to submit risk management strategies to public consultation, deliberation in the expert committees and scientific assessment.

6. The roles, competencies and accountabilities of various government stakeholders should be clarified.

Greater clarity is needed with regard to the decision-making role of the Cabinet, individual ministries, sub-national levels of government, and sub-ordinate organisations. The government seems to have recognised this challenge and is reviewing the role and status of different government entities and developing a draft law which aims to clarify competencies of authorities at all levels.

In addition, the subordinate bodies of ministries are also not differentiated enough, and their status and relationships with Ministries and other stakeholders are not fully clear and transparent. Each ministry has authority over a number of autonomous public entities falling within four legal categories. Although these categories seem clearly differentiated, mixed situations and exceptions abound. To the external observer, it does not always clearly appear why a subordinate body has a particular statute, nor if the public services that it provides are clearly separated from the commercial part of its activity.

To further support the transition towards greater ministerial accountability, Kazakhstan may consider further strengthening the role of executive secretaries by entrusting to them overall management of the ministry and implementation of political decisions on a daily basis. The current disconnect between the responsibility for administrative management of executive secretaries and the responsibility for policy implementation of vice ministers may hinder the effective implementation of the ministerial mandates. At the government-wide level, Kazakhstan may consider establishing a function of a head of the public service reporting to the Prime Minister, which would co-ordinate government operations related to whole-of-government decision making at the administrative level (not political).

Recommendations

- Differentiate the status of subordinate bodies according to the nature of their main activities. Consider streamlining ministerial organisational structures, in particular with regard to administrative functions.
- Clarify the distinction between government agencies, ministerial services and committees. In cases of conflicting functions or impartiality issues, consider the creation of arms' length agencies. The denomination of agency could be used for arm's length organisations in charge of policy aspects which are insulated from direct political interference because of conflict of interest, impartiality or credibility issues.
- Clarify and strengthen accountabilities at the government-wide and ministerial levels for achieving policy, programme and management results. Clarify competencies between the cabinet and individual ministries, as well as executive secretaries, across levels of government, and between ministries and their subordinate organisations.

Streamlining the functions and roles of central agencies in key areas

The CoG in Kazakhstan would need to develop strategic capacities to lead and steward a modern public administration, including the development of skills in new areas, such as financial management and audit, effectiveness evaluation, policy analysis, procurement as an economic function, and strategic human resource management. Moreover, having sufficient capacities to deliver on the strategic role of the CoG also calls for an appropriate level of staffing with necessary background and skills.

Investments in ICT, research and building policy networks, inside and outside of government, to develop access to data and knowledge will also be critical.

Kazakhstan recognises the importance of strategic insight for setting effective direction across the government and for supporting government organisations in achieving high performance and delivering results for Kazakh people. Yet, there is currently a limited focus on systematic scanning of external and internal environment, knowledge management, private sector and citizens' engagement to understand their needs and expectations, as well as a focus on generating strategic insight through applied research and study of good practices.

Finally, the CoG's approach to strategy setting and implementation tends to be top-down, ultimately making it vulnerable to being sidelined by ministries and agencies. As such, ensuring buy-in from ministries and agencies will be critical so real strategic planning should take place at their level.

Recommendations

- Strengthen the strategic capacity of the Centre of Government, including at the level of people, technological and organisational capacity. Some functions could be outsourced if they could be performed by the non-governmental organisations or the private sector, some could be delegated to line ministries or other levels of government, or some moved to other institutions for greater coherence of the policy and management framework.
- Strengthen the strategic insight capacities and empirical basis for decision making in the Centre of Government through building capacity to conduct systematic monitoring of internal and external trends in the public sector, identify good practices, and current and future challenges for public policy and governance on a government-wide scale.
- Strengthen implementation practices by considering the establishment of an Implementation Unit in the Centre of Government (e.g. the Chancellery) and adopting additional soft tools to enhance policy and programme implementation across the government, such as training, communities of practice, good practice identification and dissemination. This Implementation Unit could provide a co-ordinated approach and coherence.

7. Kazakhstan has in place most Centre of Government functions found in OECD countries, but further consolidation may be necessary.

The latest government reorganisation, which took place in August 2014, consolidated policy-making activities related to management and administration of government institutions in fewer institutions. Currently, the Ministry of National Economy is well positioned as an institution that could support the development of a coherent management agenda and could serve as a management board for the government of Kazakhstan, while still leaving room for independent oversight. Yet further efforts in this regard would be benefitial to ensure a coherent government-wide approach to public management, for example by reviewing the central functions in the area of service delivery. Kazakhstan may consider strengthening the link between policy development (functions currently located in the Ministry of National Economy), monitoring and implementation in this area (functions currently performed by the Civil Service Agency).

Recommendations

- Establish an integrated Centre of Government by developing a joint approach to delivering consolidation of central agencies' functions. It would be important to consolidate the existing reforms to ensure that entities in the Centre of Government will work together in order to secure the leadership needed for reform, including the necessary strategic vision, accountability, strategic planning, policy coherence and collective commitment, and communication. Kazakhstan would benefit from a more joined up centre, but which can be sustained over time for policy coherence and integrated service delivery to enable the country to reach its full potential.
- Review public management functions and their allocation across central agencies for greater coherence in the government-wide policy and management framework. This review would build on, deepen and consolidate the latest functional review and the reorganisation of the Government that took place in August 2014.
- Streamline the Centre of Government's functions related to public service delivery and strengthen the link between policy development, monitoring and implementation in this area. The current allocation of functions related to service delivery would merit further examination. The optimal location of these functions would be in a proposed institution in charge for designing and implementing public management agenda for the whole of government. Ideally, this institution would also be in charge of the policy functions related to e-government and e-service delivery, maximising the use of ICT potential across the government and connecting it to the overall management and reform agenda.

8. **The HRM function remains spread across several central institutions, which may limit the effectiveness of reform efforts in this area**.

In the area of human resources policy, at the central level the responsibilities are mainly divided between the President supported by the Civil Service amd Personnel Department in the presidency, the Agency for Civil Service and Anti-Corruption and the Ministry of Finance. The Presidency (Unit of Civil Service and Personnel) is responsible for advising the President on HRM policy in the public service, co-ordinating and overseeing the implementation of the HRM policy by government institutions, co-ordinating the establishment of the management reserve for the public service (political appointees) and of the HR arrangements for presidential appointees. Finally, the President's Office, Ministry of Finance and Civil Service and Anti-Corruption Agency determine basic pay and the policy for attributing bonuses. The President's Office and Civil Service and Anti-Corruption Agency determine the broad conditions for dismissal, and the President's Office sometimes sets a target. Condsideration could be given to consolidating some of these functions in the Agency to strengthen its position in the government, including the ability to advance strategic HR, which would include integrating priorities, budget and HR planning across the public sector and link with other elements of the management agenda. The link with the government-wide agenda is also limited given the special position of the Agency in relation to the government.

Recommendations

- Streamline the human resource management responsibilities across central agencies, delegate greater responsibilities and build the capacity of the Civil Service and Anti-Corruption Agency.
- Strengthen the link between the human resource management function and the rest of government-wide public management functions at the level of the Centre of Government by strengthening the links and interdependencies between related institutions.

9. **Kazakhstan has the necessary capacities to introduce additional management functions necessary to achieve effective management of public administration**, including evaluation of policy effectiveness, risk management and internal and financial management control.

Currently, the Ministry of National Economy and Budget undertakes an assessment of the implementation of state programmes every three years, which provide an important foundation for decision making with regard to course correction and monitoring of implementation. Yet some of the important functions of public management (e.g., effectiveness evaluation, comptroller function, risk management) remain limited and could be strengthened. The country has the required institutions in place to introduce these functions and is already taking steps in this direction, as evident in the General Approaches to Modernization of Public Administration of Kazakhstan by 2020.

Recommendation

- Institutionalise additional management functions in the Centre of Government that are critical for modern public administration, including effectiveness evaluation of programmes and policies, integrated risk management, and internal control and audit. The Centre of Government of Kazakhstan could provide government-wide leadership for introducing effectiveness evaluation which would focus on assessing impacts of government programmes and policies. It could also lead the establishment of a more institutionalised and integrated approach to the risk management in the public sector and provide a government-wide direction on excellence in financial management and financial control to provide assurance on the appropriate oversight and the stewardship of taxpayers' dollars and government assets. The internal audit function could also be located under the general comptrollership function and could be moved from the Ministry of Finance. Finally, over time, Kazakhstan may benefit from consolidating in the centre policy functions related to e-government to strengthen the alignment of the government's information technology with its business activities.

10. **Streamlining the administrative framework will be critical to enable ministerial empowerment.**

Kazakhstan's administrative regulatory system is characterised by a high level of decrees, orders and executive orders emanating from various central agencies. While they may provide the needed guidance and direction when necessary, such an extensive yet highly fragmented system of regulations, instructions and reporting requirements emanating from different stakeholders can generate overlaps in reporting and monitoring requirements, thus risking to impose a high burden on ministries, detracting resources from delivery on their core mandates and hence reducing the value for taxpayers' money.

Top-down decrees and executive orders usually do not need to go through a serious analytical process at the ministry level and may create an expectation for issues to be addressed by a decision from the top. This may divert attention from serious policy work to quick solutions and case-by-case approach and may create a culture of avoiding initiative and responsibility, which is difficult to sustain in the context of building a professional and high performing public service.

Moreover, the role of the Chancellery to manage cross-ministerial issues could also be strengthened through introducing a more comprehensive challenge function. The Chancellery already has an important challenge function by reviewing the consistency of draft laws, proposals, resolutions and programmes with the government agenda. Yet the focus of this review tends to lie on verifying legality and alignment with the strategic visions and plans. The assessment does not include an analysis of the quality of the proposed policy options, value-added to the government's agenda or impacts of the proposals on broader horizontal issues (e.g. business climate, gender equality and environment).

Recommendations

- Review administrative regulations emanating from the Centre of Government. Strengthen provisions of the Administrative Procedure law in Kazakhstan and their implications. Kazakhstan would benefit from reviewing an administrative burden not only on external stakeholders but also within the public sector. This would enable the ministries to make decisions on the basis of laws and policy of general application, and fewer on a case-by-case basis. Strengthening the Administrative procedure law of Kazakhstan (e.g. clarifying procedures for resolving disputes among public organisations, including provisions related to transparency of administrative decision making) and drawing the necessary attention to this law across the public service, could help build a culture of legality, integrity, openness and accountability. It could also reduce the need for multiple administrative requirements and empower ministries to develop ways for its effective implementation in their specific context.
- Reduce reporting requirements on public organisations through better central agency co-ordination, and streamlining and integrating performance monitoring processes. Kazakhstan may consider consolidating monitoring and reporting requirements, which could align with the proposed streamlining of the institutional framework, to ensure a clear direction and aligned monitoring efforts, focused on results, based on a coherent and comprehensive management framework, establishing clear accountability, legality, and propriety.
- Empower the Chancellery to manage cross-ministerial issues and serve as the main co-ordinator for the implementation of both the presidential and governmental agendas. Expand the challenge function of the Chancellery to assess the overall value of proposals for new policies and programmes for the Government as a whole, in addition to the examination of its legal aspects, implementation plan and consistency with the established governmental agenda. It may also focus on a verification of consistency with the established Government agenda, to assess the overall value-added of a proposal from a horizontal perspective and whether it is good for government as a whole and is good public policy.

11. **In view of increasing horizontal policy challenges, the role of the Government in making policy decisions as a collective body should be strengthened**.

Many policy issues, such as climate change or fostering inclusive growth require the involvement of multiple portfolios across the government to develop a co-ordinated and coherent response. In Kazakhstan, the Government (Cabinet) already serves as the highest collegial executive body. However, the country may consider reinforcing the role of the Government as the ultimate collective decision-making body and strengthen collective accountabilities of ministers for implementing a collective agenda. This would be critical, as Kazakhstan is looking to strengthen its openness and competitiveness, as well to increase inclusiveness and responsiveness of the policy-making and service-delivery processes.

Recommendation

- Strengthen the role of the Government as a platform for policy debate and a supreme collective decision body in the executive. Some of the core functions of the Government could include:
  - offering a key forum for debate on national strategy and strategic policy;
  - acting as a policy filter through which single-sector or multi-sector strategic initiatives are debated in the context of the President's general approach to the country's development; and
  - acting as decision maker on issues of less strategic importance to the country, thus freeing up precious time and resources for the President to devote to more strategic issues.

Encouraging transparency and involvement of clients and citizens in policy making, monitoring and assessment

12. **Developing approaches to citizen-centred service delivery is one of the priorities for Kazakhstan.**

Service delivery is an area where user feedback could be of great value, both when it comes to defining quality standards and monitoring the quality of services. In this area, however, progress can still be made. Currently, the practice of collecting citizens' and user feedback in service delivery remains uneven in Kazakhstan. In cases where user feedback–including on levels of satisfaction–is collected, it is often done by ministries and committees themselves, which may create situations of conflict of interests. When individuals and organisations are asked to express their opinions, it is usually under the control of ministerial services, which have the opportunity to influence the outcome. Satisfaction surveys, for instance, are in many cases conducted not by professional and independent bodies, but by the public services themselves, within their premises. In addition, the overall assessment process is not completely transparent, since its methodology and results are not always open to public scrutiny and discussion.

Recommendations

- Use a common measurement tool for surveys measuring policy and management outcomes across the public sector and conduct the surveys using professional, independent organisations; make the assessment methodology, process and results fully accessible to the public. To have a more reliable assessment of the real situation, it would be necessary to increase the transparency of the assessment process, in particular to adopt common measurement tools in a wide range of management areas and to publish the complete results of the effectiveness assessments.
- As part of the ongoing modernisation of public services, provide for the systematic collection, analysis and publication of data on service delivery and outcomes by independent organisations. Use both citizens' and businesses' opinions to define service standards and to assess services on a regular basis, and establish systems for benchmarking service delivery performance domestically and internationally. The conduct of opinion surveys should be generalised and measurement issues should be addressed. Committees, in particular, should not be in charge of surveying their own users with regard to service quality.

13. **While Kazakhstan is already taking steps to advance consultation with external stakeholders, limiting consultation to the formal meetings of expert committees and online engagement for the public does not provide sufficient opportunities for policy discussions.**

Public consultations mainly take place on-line in Kazakhstan. While potentially enabling the government to reach out to a wide range of stakeholders, this method alone does not provide a sufficient opportunity for policy discussions. It also requires pro-active targeting of various groups of population and stakeholders, explicit call for comments, clear timelines, consultation periods and guidance, which is currently missing in Kazakhstan. In addition, any new state programmes requiring an approval by the Government or the Prime Minister generally require the establishment of working groups, formed from representatives of state bodies, and often with the assistance of research organisations, scientists and specialists of different areas of expertise. Also, ministries and agencies responsible for the development of state programs may use the media to promote public discussion and refinement of their proposals.

Ministries are mandated to publish their draft legislation on their websites and to provide updates each time the draft is modified. However, they have no obligation to formally invite the public to provide feedback, to give it guidance and additional documentation, or to define a timeline for the consultation; nor do they have to respond to the comments they receive. There is also no online system for monitoring the movement of the draft law or regulation (e.g., in different stages of consideration, consultation or approval). Similarly, while there is an Access to Information Law in Kazakhstan, it does not advance the principle of freedom of information, which allows any external stakeholders to track current legislative and regulatory initiatives or access any other information possessed by government bodies.

In a 2009 amendment to the Law on Private Entrepreneurship, the government created an additional consultation channel for ministries through the "expert councils". Each ministry has to have one such body to advise it on draft legislation. The councils gather a majority of public officials (from central and local government), as well as representatives of the civil society (academics and experts, businesses and business

associations, non-governmental organisations) it should be noted that members of the stakeholder group are selected by the ministry. The councils are consulted twice a year.

A common argument is that civil society organisations need to gain more independence, consolidate their financial situation, develop specialised competences in the policy fields where they intervene, in short to become more professional. There are, however, few chances to see such positive developments if these organisations, at least the better structured and most professional among them, are not considered and involved as real partners in policy making.

Recommendation

- Expand opportunities for policy debate and stakeholder engagement and strengthen the role of deliberation and consultation in policy making, in particular, by reforming the functioning of expert committees; creating effective ways for citizens and stakeholders to be consulted, and to provide input on policy making; pro-actively targeting specific groups, encouraging comments and providing clear consultation mechanisms and timelines.

14. **There are limited arms' length mechanisms to ensure the protection of citizens' rights in a fast and affordable manner.**

In Kazakhstan the adjudication function is exercised mostly by the courts. At the Centre of Government level, the Civil Service and Anti-Corruption Agency and the Ministry of Finance have some adjudication authorities. To further strengthen the transparency and predictability of the decision-making processes, Kazakhstan may consider strengthening arm's-length mechanisms to ensure protection of citizens' rights against action or inaction of public officials, in such areas as access to information, privacy, public service delivery and others.

Recommendation

- Strengthen arms' length mechanisms to ensure the protection of citizens' rights and to resolve disputes and complaints in a fast, impartial and affordable manner, including through an effective administrative justice system, to improve the transparency and predictability of decision-making processes. This would help to further strengthen the transparency and predictability of the decision-making processes in such areas as access to information, privacy, public service delivery and others. It would be important for Kazakhstan to strengthen the role played by these stakeholders in holding the government to account through fostering active citizenship, establishing an enabling environment for active civil society and media.

Strengthening inter-ministerial and central co-ordination at all levels

15. **While Kazakhstan has extensive co-ordination mechanisms at the high level, they appear to be too formal and insufficient to deal with increasingly cross-cutting policy issues.**

Currently, relations between ministries are confined within the framework of their respective strategic plans. Other modes of co-ordination are not common, and there is little exchange of information at the level of policy implementation and monitoring. Ministries are usually closely linked with their mandates, but many issues cannot be

compartmentalised and require cross-ministerial co-operation. The appropriate responses to these policy issues should necessarily involve multiple departments or levels of government. While there have been some improvements in collaboration across ministries in Kazakhstan, significant barriers between departments remain. The fragmented nature of the government in turn may inhibit the tackling of problems and issues which cross-departmental boundaries.

At the central level, joint work across the central agencies is mainly issues-based rather than strategic, taking a whole-of-government approach. While there are already examples of joint actions, it could be strengthened through systematic sharing of the data, joint analysis and collaborative use of a variety of levers to enable government-wide implementation of core priorities and empowering ministries to deliver on their mandates.

Recommendations

- Strengthen inter-ministerial and central agency co-ordination by encouraging working-level contacts among ministries in areas related to common objectives, as well as among central agencies, including the Chancellery and the Presidency. It would be important to strengthen the understanding of the contribution of each central agency (including those line ministries that perform central agencies' functions) to advancing government-wide performance and to focus more strongly and collaboratively on advancing effective performance of government in Kazakhstan. This should involve strengthening formal channels and informal networks of co-operation between ministries/agencies at the decision-making, managerial and working level (also see Recommendation 5.6).
- Solidify mechanisms for horizontal collaboration among ministries, including through the creation of ministerial posts for cross-cutting problems, the strengthening of accountability frameworks for horizontal activities, and the development of rotational programmes for government managers and policy communities.

Enhancing strategic HRM and performance budgeting

16. Despite active steps taken by the Government to reform the civil service, Kazakhstan continues to experience a relatively high turnover rate of civil servants, including at the top level, which can impair the effective and sustainable application of the government agenda.

Kazakhstan's ministerial services and public officials often find themselves in situations of conflicting interests where they are required to control and report on their own work. Strategy departments are in charge of monitoring the implementation of the strategy that they have developed and measuring its outcomes. Committees are supposed to conduct surveys on the quality of the services that they deliver.

Kazakhstan follows the "multiple political principals" model, with a myriad of actors participating in the decision-making processes, and the boundaries between the political and administrative levels more blurred. Ministries do not always seem to have the actual capacity to control and evaluate the operations of their subordinate bodies. There is a lack of transparency in some instances of relations between ministries and public companies.

The role of the ministries in relation to the management of their human resources appears rather limited. This review found evidence that many ministerial services, especially departments, are overburdened with their current tasks and unable to cover the complete range of their missions because of human resource constraints. In addition, departments seem to suffer from a chronic lack of specialised staff, a result of a non-targeted recruitment policy and high turnover among civil servants. The mobility of civil servants, which would be particularly beneficial if it took place within ministries to help them accumulate relevant experience, occurs in fact essentially between ministries and leads to a permanent loss of capital.

Recommendations

- Encourage mobility within ministries, in particular between departments and committees; consider regular employee surveys to measure and enhance employee satisfaction and engagement; advance efforts to reduce staff turnover. This would be a way to develop synergies, facilitate communication and consolidate policy coherence. Ensuring that public servants have a competitive remuneration could help attract high-quality talent to the public sector, reduce corruption and turnover. Solidifying merit-based process across the public service could also reduce patronage and strengthen the quality of human resources.
- Increase transparency by systematically identifying and solving issues of conflicting interests, enhancing the role of independent assessment and audit services, and opening information on administrative expenditures, including salaries and benefits of public officials. Consider undertaking an OECD integrity review; include questions on departmental values and ethics performance in regular public service employee surveys.

17. **While Kazakhstan is already taking steps towards results-based budgeting, further efforts would be important to develop an effectively functioning system,** as the links between strategic planning, budget and human resources are not fully developed, whether at the whole-of-government or at the ministry level.

There is no clear multi-year financial framework for ministerial services and no joint planning or reporting on performance, budget or human resources.

In addition, the links between planned results included in the strategic plans, budget programmes and resource allocations are not yet very clear. This could also be explained by the fact that Parliament does not receive ministerial strategic plans nor any other political documents, which outline expected achievements. Yet it is ultimately the Parliament that decides on the allocation of budget to ministries and across the government. Currently the process of resource allocation is based on the ministerial functions and competencies fixed in the legislation. These links could be strengthened both by the budget and strategic planning, as well as performance and spending reports, possibly by establishing joint three-year priorities and budget plans and reports, submitted to the Parliament. This is the direction already proposed by the Government's new concept of the new budget policy.

Without strong links to the budget and appropriate financing for planned measures, strategic planning can become a paper exercise that cannot be implemented. Without an understanding of where public monies are being spent and for what value, it is very difficult for governments to prioritise policies and programmes and to steer their implementation. However, in the current situation, planning seems to introduce formal constraints and possibly biases in the budget allocation process without providing it with

a stable medium-term framework. Strategic planning, as it is practiced, tends to be largely disconnected from budget planning.

Recommendations

- Solidify linkages between budget and the strategic planning processes by maintaining close co-ordination between the Ministry of National Economy and the Ministry of Finance, providing a stable multi-year budgetary framework for ministries and introducing joint three-year ministerial plans on priorities and planned spending for parliamentary approval.
- Reinforce the existing performance budgeting process by introducing more transparent pre-budget consultation with businesses and civil society, developing stronger, outcome-based indicators for government programmes and enhancing the existing system of joint budgeting, performance and HRM planning and reporting. The introduction to Parliament of shorter three year plans on results and priorities, accompanied by expenditure estimates could help achieve this objective (see also Recommendation 5.16).
- Enhance strategic human resource management by ensuring stronger links between HRM, budget and priority planning within the framework of the strategic plans and link it to the achievement of better organisational performance.
- Strengthen budget planning in order to provide a stable multi-year framework to ministries. Enhance the role of the Tax Committee because of its detailed understanding of tax issues and its direct relation to taxpayers, for instance by placing the budget planning process under the shared responsibility of the two Ministries (also see Recommendation 4.3).

18. **While Kazakhstan is already working towards greater alignment between planning, reporting and resource allocation, important disconnects remain.**

There are also no systematic reviews or evaluations of programme and policy efficiency and effectiveness, or spending reviews. Moreover, there appears to be no requirement for an ongoing agency review and assessment of efficiency and effectiveness of individual programme spending.

Recommendations

- Integrate a requirement for using results of evaluation of programme and policy effectiveness within functional reviews. This would help to understand which policies and programmes are generating the desired impact and which not and to link it to the programme reviews in making decisions of which programmes/ functions to keep and which not. It would be important to advance this initiative in order to promote a culture of public policy making, which considers impacts, effectiveness and efficiency of various policy choices.
- Systematically enhance the quality of reviews of efficiency and effectiveness of all government programmes and spending on a cyclical basis, through the use of programme and policy effectiveness evaluation and performance results reporting, linked to the budget allocation process.

Enhancing the performance and accountability system

19. **External audits play a major role in ensuring the accountability of the executive.**

The government of Kazakhstan has developed the concept of state audit to modernise its external audit system. Currently, the main focus of external audits in Kazakhstan lies on ensuring the sound management of financial resources. In line with this concept, Kazakhstan could benefit from a more comprehensive approach in ensuring that all government programmes are efficient and effective in achieving the Government's policy goals.

In addition, effective oversight institutions are critical to promote effective accountability, checks and balances, effectiveness, transparency, integrity and prudent use of public resources. Independent oversight and audits of government performance are an important component of sound monitoring and accountability systems. In Kazakhstan, Parliament already has some instruments available to control executive power. Yet, currently there is no obligation on the part of the executive branch to report to Parliament on the results of its activities and broader governmental performance.

Recommendations

- Strengthen an independent parliamentary audit system, including the audit of the efficiency and effectiveness of government expenditures. Develop a comprehensive reform of financial management control and audit, and professionalise the function.
- Strengthen the role of Parliament in reviewing governmental performance to ensure a greater accountability and transparency of the executive for the use of public resources, including value for money and ensuring administration through the law. Introducing a system of ministerial plans and performance reports submitted to Parliament (i.e., a system of ministerial statements) would be an important step in this direction.

20. **Kazakhstan has put in place a system to assess the implementation of programme and policy initiatives included in strategic plans,** yet the targets and indicators are numerous and mainly output- and process-driven, which may dilute focus on key priorities.

Currently, there is limited focus on outcome indicators as part of the performance management system, both for policy and programme, and management results. The Kazakhstan system of Assessment of Effectiveness of Public Organisations also incorporates a system of ensuring accountability for the Management of Strategic Goals. Its current focus appears to be more on ensuring the effective and legal implementation of strategic initiatives, rather than on the effectiveness of the programmes themselves.

Kazakhstan could benefit from a more comprehensive approach in ensuring that all government programmes are efficient and effective in achieving the Government's policy goals. Yet this does not suggest that detailed performance indicators should be monitored in a centralised manner for every single policy. Progress in this area should rather focus on qualitative improvements to the existing process.

Recommendations

- Reduce the number of core objectives evaluated as part of programme assessments and assessments of implementation of strategic plans. These assessments should be accompanied by outcome-based measures and a robust system of evaluation of programme and policy effectiveness and reviews of existing spending.
- Find the right balance between outcome and process measures in performance measurement and introduce a Government-wide performance reporting system. Kazakhstan's system could benefit from a more comprehensive approach in ensuring that all government programmes are efficient and effective in achieving the Government's policy goals. This objective should be achieved by focusing on qualitative improvements to the current system.

21. **While Kazakhstan's management assessment framework is advanced, there is an opportunity to further increase the comprehensiveness of the approach and reduce reporting requirements.**

There is a strong drive for enhancing effectiveness of this tool as it supports continuous improvement in public institutions. Performance measures have recently been reduced and streamlined although greater focus on outcomes that matter is needed. On the thematic side there are also additional management areas that are currently not covered by the existing framework. However, the process also has some unintended adverse effects. First, it focuses the attention of the ministries mainly on the assessment criteria and influences the management's goals. Second, the process of monitoring from the centre, useful and necessary as it is, also has costs and limits. Third, some of its aspects put it at risk of becoming a formal process within the administration, leaving a potential gap between the official image of the functioning of the government and the actual outcomes. Fourth, the assessment system does not place enough emphasis on capacity issues at the operational level in ministries.

Recommendations

- Strengthen the current approach to assessing organisational effectiveness (management performance and accountability) by adopting a strong focus on continuous management improvement as the outcome of the process, developing a more comprehensive assessment framework, evolving performance measures towards key outcomes, streamlining the assessment process, introducing risk-based oversight and compliance reporting, providing good practices and systematically seeking citizens' views on government performance, including policy and service delivery. Report the results publicly (see also Chapter 5).
- Link individual performance evaluation processes to the achievement of policy, programme and management results and extend the application of performance evaluation, including for management performance, to assess the rest of the management team in ministries and agencies by the executive secretary. Extend the system to additional public sector agencies where appropriate. This would help to strengthen accountability for results. Government-wide performance management timelines should be linked to the budget cycle for greater effectiveness.
- Measure initiatives aimed at developing policy analysis, increasing regulatory quality or investigating innovative approaches such as risk management in ministries to encourage pro-active attitudes to policy making in ministries and agencies.

Summary action plan

Summary of gaps	OECD recommendations	Good practices to consider
1. Increase the capacities, autonomy and involvement of ministries		
Ministerial autonomy: There is a strong focus by the Centre of Government on maintaining central political control over decisions and on monitoring, top-down daily management and oversight. There is also a primary reliance on "hard levers" to stimulate performance across the government. This approach may undermine the autonomy, responsibility and accountability of ministerial management. The government has recognised this challenge and is currently introducing reforms to support ministerial autonomy, including a draft law on the delineation of authorities between line ministries and the Centre of Government. In addition, while there is co-ordination with other stakeholders in preparing long-term strategic documents, it most often appears to be relatively *ad hoc* and selective. Ministries should have an opportunity to systematically identify and contribute strategic priorities in their sectoral areas of responsibility. This would enable bottom-up creativity, buy in and ownership of the strategic priorities across the system.	4.2. Enhance the autonomy and role of ministries, including in generating policy priorities and targets for strategic policy documents in Kazakhstan by strengthening formal channels of consultation and communication with ministries and other governmental and non-governmental stakeholders and facilitating a bottom-up priority identification. 2.1. Develop a risk-based and results-oriented central monitoring and oversight system to strengthen ministerial accountability for outcomes and create a more and high-performance culture in ministries. 2.2. Strengthen reliance on soft levers for ensuring policy and programme implementation by the Centre of Government to promote a high level of performance and collaboration across ministries.	
Ministerial capacities: While ministries are developing capacities to implement strategic documents, there are remaining gaps in ministerial capacities, including policy analysis, research and risk management capacities. The government of Kazakhstan is already taking steps to build capacities in the public sector (e.g. strengthening the Academy of Public Administration, developing competency frameworks), but major gaps still remain and there is a lack of a strategic approach to skill development in the public service.	5.8. Within the planning framework, strengthen the capacity of ministerial departments to perform policy analyses, conduct and fund research, and collect data. Implement information exchange tools and procedures between departments, committees and subordinate bodies. When synergies are important, reintegrate subordinate bodies in charge of data collection and analysis in ministries. 5.14. As part of the effort to increase the autonomy of ministries, allow a development of their analytical capacities. Encourage ministries to co-operate with the Agency in hiring specialised personnel (also see 2012 OECD Performance Incentives and Management System in Kazakhstan Report). 3.11. Expand the functional analysis of ministries to integrate an assessment of factual situations and capabilities, including the effectiveness, efficiency and capacities of ministries and agencies as well as a thorough identification of policy gaps and synergies, based in particular on international comparisons. In time, build a permanent capacity to analyse the machinery of government. 3.8. Broaden the focus of the Academy of Public Administration to include responsibilities for leadership development and developmental programmes to facilitate the life-long learning and training of public servants, supported by a programme of applied research and knowledge management. Consider introducing developmental programmes for high-potential civil servants. 5.2. Reduce the frequency of changes to the structure and mandate of the ministries to increase organisational stability.	Capability reviews (Australia, New Zealand, United Kingdom) United Kingdom's Fast Stream programme

Summary of gaps	OECD recommendations	Good practices to consider
Role of strategic planning: Strategic planning has a critical role in implementing a national vision and ensuring co-ordination across the government, but its top-down and all-encompassing nature are detrimental to the sense of initiative and responsibility for a policy field in ministries.	4.1. Simplify the strategic planning process and introduce an updated model with a simplified system of multi-year rolling planning and budgeting within a medium-term framework. This should also be integrated and closely aligned and co-ordinated with an enhanced system of rolling socio-economic and departmental plans. Consider introducing ministerial performance plans, which would be submitted to parliament. 5.3. Reform the planning system by: *i)* collecting in a systematic and transparent way contributions from all parts of the government for the elaboration of high-level planning documents; *ii)* initiating a gradual reduction of the scope of planning with the aim to focus on a limited number of governmental priorities and areas of inter-ministerial co-operation.	
Policy making and policy capacity: The current focus of ministries' performance efforts appears to be more on ensuring the legal implementation of strategic initiatives rather than on the effectiveness of the programmes themselves. There currently does not seem to be an incentive for ministries to undertake impact assessments of proposed regulations, as the main provisions for such regulations often stem from the planning process. Moreover, given that the scientific expertise for regulations is mainly sought from external sources, this rule deprives ministerial services from the opportunity – and the incentive – to investigate the broader consequences of their proposals. These challenges are also compounded by limited human resource capacity, lack of common methodology and data. Current government efforts to increase ministerial autonomy seem to go in this direction. In addition, there is a large institutional divide between departments and committees. Local services appear to provide little information about work processes and outcomes to the central level of their committee outside of their formal assignments; the central committee levels do not seem to play any substantial role in strategy and policy design by the departments. This sharing of responsibilities reinforces sectoral silos within ministries and leaves a gap between policy making and the knowledge of concrete social, economic, technical and environmental conditions.	5.9. Reform the regulatory development process in order to make ministerial services responsible for a complete regulatory impact analysis (RIA) and to submit its results to external scientific evaluation, on a more systematic basis. Provide ministries and agencies with methodological guidelines for conducting RIA. 5.7. Strengthen routine relations between departments and committees, notably by giving committees a role in the policy design process. In conjunction, prevent committees from developing regulations – as well as regulatory capacities.	
Risk management: The government has committed to have every ministry and agency develop a risk management strategy as part of its strategic plan. While the risk management sections of the strategic plans include of a brief list of unfavourable events related to some strategic objectives, their possible consequences and preventive actions, there are no real tools or guidelines for risk management in the government of Kazakhstan.	5.11. Elaborate detailed risk management guidelines; instruct ministries and agencies to implement the guidelines and enhance their risk analysis capabilities; submit the risk management strategies to the same stakeholder consultation and scientific assessment requirements as draft regulations. This recommendation is consistent with the proposals included in Kazakhstan's General Approaches to Modernisation of Public Administration by 2020.	

Summary of gaps	OECD recommendations	Good practices to consider
Central and ministerial status, competencies and accountability arrangements: The responsibility of executive secretaries for the overall management of ministries and agencies needs to be clarified. In addition, greater clarity is needed with regard to the decision-making role of the Cabinet, individual ministries, sub-national levels of government and sub-ordinate organisations. Currently, the government is already developing a draft law which aims to clarify competencies of authorities at all levels. There is no clear distinction between the status of different government agencies and ministerial services. Clear criteria for establishing various types of government bodies are still to be defined. Similarly, the government seems to have recognised this challenge and is reviewing the role and status of different government entities. Finally, subordinate bodies of ministries are also not differentiated enough. The status and relationships of subordinate bodies with ministries and other stakeholders are not fully clear and transparent.	2.3. Clarify and strengthen accountabilities at the government-wide and ministerial levels in the Centre of Government for achieving policy, programme and management results. 2.4. Clarify competencies between the Cabinet and individual ministries, across levels of government, and between ministries and their subordinate organisations, in line with the General Approaches of Modernisation of Public Administration by 2020. 5.1. Clarify the distinction between government agencies and ministerial services and committees. In cases of conflicting functions or impartiality issues, consider the creation of arm's-length agencies. 5.17. Differentiate the status of subordinate bodies according to the nature of their main activities. Consider streamlining ministerial organisational structures, in particular with regard to administrative functions.	UK Accounting Officer, French model of secretary-generals
2. Streamline the functions and roles of central agencies in key areas		
Capacity of central agencies: The Centre of Government in Kazakhstan would need to develop strategic capacities to lead and steward a modern public administration, including the development of skills in new management areas, such as financial management and audit, effectiveness evaluation, policy analysis, procurement as an economic function, strategic human resources management. Issues concerning the turnover of senior officials would need to be addressed. Moreover, having the sufficient capacities to deliver on the strategic role of the centre also calls for ensuring the appropriate level of staffing with the appropriate background and skills. Investments in information and communications technology, research and building policy networks, inside and outside of government, to develop seamless access to data and knowledge will also be critical.	2.5. Strengthen strategic capacity of the Centre of Government, including at the level of people, technological and organisational capacity. 3.7. Strengthen strategic insight capacities and the empirical basis for decision making in the Centre of Government through building capacity to conduct systematic monitoring of internal and external trends in the public sector, identify good practices, and current and future challenges for public policy and governance on a government-wide scale. 4.5. Strengthen implementation practices by considering the establishment of an Implementation Unit in the Centre of Government and adopting additional soft tools to enhance policy and programme implementation across the government, such as training, communities of practice, and good practice identification and dissemination.	Capability reviews used in Australia, New Zealand and the United Kingdom Horizon scanning across the Netherlands, Singapore and the United Kingdom
Structure and functions of central agencies: a) Kazakhstan has in place most Centre of Government functions found in OECD countries. Most recently, the government has made major efforts to consolidate its central functions, yet, in some cases, they still remain fragmented.	2.6. Establish an integrated Centre of Government by developing a joint approach to delivering central agencies' functions. 3.10. Review public management functions and their allocation across central agencies for greater coherence in the government-wide policy and management framework. 3.4. Streamline the Centre of Government's functions related to public service delivery and strengthen the link between policy development, monitoring and implementation in this area.	UK External Review of Central Agencies United States' Office of Personnel Management, New Zealand's State Services Commission, Canada's Treasury Board Secretariat and France's Ministry of State Reforms, Decentralisation and Public Service Ministry of Security and Public Administration in Korea

Summary of gaps	OECD recommendations	Good practices to consider
b) While Kazakhstan is advancing major human resources management (HRM) reforms, the HRM function currently remains spread across several central institutions, which may lead to fragmentation and limit the effectiveness of reform efforts. The Civil Service and Anti-Corruption Agency has limited capacities to advance strategic HR, including integrated priority, budget and HR planning across the public sector and link with other elements of the management agenda.	3.2. Streamline the HRM responsibilities across central agencies and delegate greater responsibilities and build capacity of the Civil Service and Anti-Corruption Agency. 3.3. Strengthen the link between the HRM function and the rest of government-wide public management functions at the level of the Centre of Government (by strengthening the links and interdependencies between related institutions, e.g. on HRM, budget, strategy setting, financial management).	New Zealand's Public Service Commission, United States' Government Personnel Office
c) Kazakhstan has the necessary capacities to introduce additional management functions required to achieve effective management of the public administration.	3.5. Institutionalise additional management functions critical for modern public administration, including effectiveness evaluation of programmes and policies, integrated risk management and internal control and audit.	Major Projects Authority in the United Kingdom; implementation units in Australia, Malaysia and the United Kingdom; Canada's risk management and evaluation approaches
Central monitoring and oversight functions: While Kazakhstan has a strong Centre of Government, achieving the next stage of development may call for rebalancing the current functions of central agencies. Kazakhstan has developed an extensive monitoring system by central agencies to ensure the implementation of the government's priorities. While legitimate, these functions are relatively fragmented and heavy, which may create significant fatigue on the departments and lead to inefficiencies and overlaps.	2.10. Review administrative regulations emanating from the Centre of Government. Strengthen provisions of the Administrative Procedure Law in Kazakhstan and their implications. 3.6. Reduce reporting requirements on public organisations through better central agency co-ordination and streamlining and integrating the performance monitoring processes. 2.7 Empower the Chancellery to manage cross-ministerial issues and serve as the main co-ordinator for the implementation of both the presidential and governmental agendas. 2.8. Expand the challenge function of the Chancellery to assess the overall value of proposals for new policies and programmes for the government as a whole, in addition to the examination of its legal aspects, implementation plan and consistency with the established governmental agenda.	Performance evaluation in Scotland: Scotland Performs Monitoring and communicating progress in the Netherlands Major Projects Authority and Major Projects Leadership Academy in the United Kingdom
Collective leadership: In view of the increasingly horizontal policy challenges, the role of government (Cabinet of Ministers) in making policy decisions as a collective body need to be strengthened. This would also require strengthening the accountability of ministers for implementing a collective agenda.	2.9. Strengthen the role of the government (Cabinet of Ministers) as a platform for policy debate and a supreme collective decision-making body in the executive.	Chile, France
3. Encourage transparency and involvement of clients and citizens in policy making, monitoring and assessment		
Citizen-centred service delivery: Developing approaches to citizen-centred service delivery is one of the priorities for Kazakhstan. Currently the practice of collecting citizens' and users' feedback remains uneven in Kazakhstan. In cases where users' feedback, including on levels of satisfaction, is collected, it is often done by ministries and committees themselves, which may create conflict of interest situations.	5.5. Utilise a common measurement tools for surveys measuring policy and management outcomes (e.g. service satisfaction, employee satisfaction and commitment) across the public sector and conduct the surveys using professional, independent organisations; make the assessment methodology, process and results fully accessible to the public. 5.12. As part of the ongoing modernisation of public services, provide for systematic collection, analysis and publication of data on service delivery and outcomes by independent organisations. Use citizens' and businesses' opinions both to define service standards and to assess services on a regular basis and establish systems for benchmarking service delivery performance domestically and internationally.	Citizen survey practices in Canada, France and New Zealand

Summary of gaps	OECD recommendations	Good practices to consider
Consultation with external stakeholders: While Kazakhstan is already taking steps to advance consultation with external stakeholders, limiting public consultation to the formal meetings of expert committees on the one hand and online engagement for the public on the other does not provide a sufficient opportunity for policy discussions.	5.10. Expand opportunities for policy debate and stakeholder engagement and strengthen the role of deliberation and consultation in policy making, in particular by reforming the functioning of expert committees; creating effective ways for citizens and stakeholders to be consulted and to provide input to policy making; pro-actively targeting specific groups, encouraging comments and providing clear consultation mechanisms and timelines.	Chile's pension reform process, Australia's Productivity Commission hearings Strategic planning process in Korea, South Africa's national development plan, Public Service 2020 process in Canada
Dispute resolution mechanisms: In Kazakhstan, there are limited arm's-length mechanisms to ensure the protection of citizens' rights in a fast and affordable manner (e.g. access to information requests, disputes with the state on service delivery).	3.9. Strengthen arm's-length mechanisms to ensure the protection of citizens' rights and to resolve disputes and complaints (e.g. in the area of service delivery, access to information) in a fast, impartial and affordable manner, including through an effective administrative justice system, to improve the transparency and predictability of decision-making processes.	A range of OECD countries' practices (Council of State of France, administrative courts in Germany and Italy, Access to Information and Privacy Commissioner in Canada, US tax tribunals)
4. Strengthen inter-ministerial and central co-ordination at all levels		
Central and inter-ministerial co-ordination: While Kazakhstan has extensive co-ordination mechanisms at the high level both for central agencies and ministries, they appear too formal and insufficient to deal with increasingly cross-cutting policy issues.	2.11. Strengthen inter-ministerial and central agency co-ordination by encouraging working level contacts among ministries in the areas related to common objectives and among central agencies, including the Chancellery and the Presidency (also see the recommendation 5.6).	
Horizontal collaboration: Ministries are usually closely linked with their mandates, but many issues cannot be compartmentalised and require cross-ministry co-operation. Currently, relations between ministries are confined within the framework of their respective strategic plans. Other modes of co-ordination are not common, and there is little exchange of information at the level of policy implementation and monitoring.	2.12. Solidify mechanisms for horizontal collaboration among ministries, including through the creation of ministerial posts for cross-cutting problems, strengthening accountability frameworks for horizontal activities, developing rotational programmes for government managers and policy communities. 5.6. Strengthen formal channels and informal networks of co-operation between ministries/agencies at decision-making, managerial and working level.	
5. Enhance strategic HRM and performance budgeting		
Workplace and workforce management: Kazakhstan currently experiences a high turnover of civil servants, including at the top level, which can impair the effective and sustainable application of the government agenda. In addition, Kazakhstan's ministerial services and public officials often find themselves in situations of conflicting interests where they are required to control and report on their own work. Strategy departments are in charge of monitoring the implementation of the strategy that they have developed and measuring its outcomes. Committees are supposed to conduct surveys on the quality of the services that they deliver.	5.15. Encourage mobility within ministries, in particular between departments and committees; consider regular employee surveys to measure and enhance employee satisfaction and engagement; advance efforts to reduce staff turnover. 5.18. Increase transparency by systematically identifying and solving issues of conflicting interests, enhancing the role of independent assessment and audit services, and opening information on administrative expenditures, including the salaries and benefits of public officials. Consider undertaking an OECD integrity review; include questions on departmental values and ethics performance in regular public service employee surveys.	Australia, Canada's approaches to workplace and workforce management OECD 2012 report on Performance Incentives and Management System (PIMS) in Kazakhstan

Summary of gaps	OECD recommendations	Good practices to consider
Links between budget, strategic planning and HRM: While Kazakhstan is already taking steps towards results-based budgeting, further efforts would be important to develop an effectively functioning system, as the links between strategic planning, budget and HR are not fully developed both at the whole-of-government and ministry levels; there is no clear multi-year financial framework for ministerial services and no joint planning and reporting on performance, budget and HR.	3.1. Solidify linkages between the budget and the strategic planning processes through maintaining close co-ordination between the Ministry of National Economy and the Ministry of Finance, providing a stable multi-year budgetary framework for ministries and introducing joint three-year ministerial plans on priorities and planned spending for parliamentary approval. 4.3. Reinforce the existing performance budgeting process through introducing more transparent pre-budget consultation with business and civil society, and developing stronger outcome-based indicators for government programmes (in line with the General Approaches to Modernisation of Public Administration of Kazakhstan until 2020)(see also the recommendation 5.16). 5.13. Enhance strategic HRM by ensuring stronger links between HRM, budget and priority planning within the framework of the strategic plans and link it to the achievement of better organisational performance. 5.16. Strengthen budget planning in order to provide a stable multi-year framework to ministries; achieve the connection of budget and strategic planning; enhance the role of the Tax Committee (see also the recommendation 4.3).	Most OECD countries have introduced performance budgeting (e.g. Austria's approach to performance budgeting) Integrated HR planning in Canada
Links between performance and resource allocation: While Kazakhstan is already working towards greater alignment between planning, reporting and resource allocation, major disconnects remain. There are also no systematic reviews and evaluations of programme and policy efficiencies and effectiveness, and spending reviews.	3.12. Integrate a requirement for using the results of evaluation of programmes and policy effectiveness within functional reviews. 4.4. Systematically enhance the quality of the assessment of all government programmes and spending on a cyclical basis, through the use of programme and policy effectiveness evaluation and performance results reporting, linked to the budget allocation process.	Strategic reviews in Australia, Canada and the United Kingdom Automatic productivity cuts in selected OECD countries Centre of excellence for programme evaluation in Canada
6. Enhance performance and accountability systems		
External audit: External audits play a major role in ensuring accountability of the executive. The government of Kazakhstan has developed the concept on state audit to modernise its external audit system. Currently, the main focus of external audits in Kazakhstan lies on ensuring sound management of financial resources. In line with the Concept, Kazakhstan could benefit from a more comprehensive approach in ensuring that all government programmes are efficient and effective in achieving the Government's policy goals.	4.9. Strengthen an independent parliamentary audit system, including the audit of the efficiency and effectiveness of government expenditures (comprehensive audit), as envisaged in the 2013 Concept Note on the State Audit in Kazakhstan. Professionalise the internal audit and financial control function. 4.10. Strengthen the role of parliament in reviewing governmental performance to ensure a greater accountability and transparency of the executive for the use of public resources, including value for money and ensuring administration through the law. Introducing a system of ministerial plans and performance reports submitted to parliament (i.e. a system of ministerial statements) would be an important step in this direction.	Intosai, France's Court of Accounts, United Kingdom's National Audit Office
Policy and programme performance and accountability: Kazakhstan has put in place a system of assessing the implementation of programme and policy initiatives included in strategic plans, yet the targets and indicators are numerous and mainly output and process driven, which may dilute the focus on key priorities. Currently there is limited focus on outcome indicators as part of the performance management system both for policy and programmes and for management results.	4.7. Reduce the number of core objectives evaluated as part of programme assessments and assessments of implementation of strategic plans. These assessments should be accompanied by outcome-based measures and a robust system of evaluation of programme and policy effectiveness and reviews of existing spending. Find the right balance between outcome and process measures in performance measurement and introduce a government-wide performance reporting system.	US management agenda of President Obama

Summary of gaps	OECD recommendations	Good practices to consider
Management performance and accountability: While Kazakhstan is among the advanced countries in terms of taking steps to develop and implement a management assessment framework, there is an opportunity for further strengthening to increase the comprehensiveness of the approach, reduce reporting requirements and improve management performance across the administration.	4.6. Strengthen the current approach to assessing organisational effectiveness (management performance and accountability) by adopting a strong focus of continuous management improvement as the outcome of the process, developing a more comprehensive assessment framework, evolving performance measures towards key outcome measures, streamlining the assessment process, introducing risk-based oversight and compliance reporting, providing good practices and systematically seeking citizens' views on government performance, including policy and service delivery. Report the results publicly(see also Chapter 5). 4.8. Link individual performance evaluation process to the achievement of policy, programme and management results (e.g. results of programme assessments and the assessment of organisational effectiveness) and extend the application of performance evaluation, including for management performance, to assess the rest of the management team in ministries and agencies by executive secretary. Extend the system to additional public sector agencies, where appropriate. 5.4. Measure initiatives aimed at developing policy analysis, increasing regulatory quality or investigating innovative approaches such as risk management in ministries to encourage pro-active attitudes to policy making in ministries and agencies. This recommendation is consistent with the proposals included in the Kazakhstan's General Approaches to Modernisation of Public Administration by 2020.	European Common Assessment Framework Strategic performance management and accountability in Canada

Country profile of Kazakhstan 2013



Source: CIA (2013), *The World Factbook* 2013-14, Central Intelligence Agency, Washington, DC, https://www.cia.gov/library/publications/the-world-factbook/index.html

Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Country profile of Kazakhstan, 2013	
Area (km²)	2 724 900 (ninth place in the world by area)
Population	17.0 million people
Population density	6 inhabitants per km²
Form of state	Unitary state with a presidential form of government
Political system	Executive branch headed by the President and the Prime Minister; judicial branch with the Supreme Court as highest body and legislative branch with a bicameral parliament
Ethnicity	Kazakh 63.1%, Russian 23.7%, Uzbek 2.8%, Ukrainian 2.1%, Uighur 1.4%, Tatar 1.3%, German 1.1%, other 4.5% (2009 census)
Religions	Islam 47%, Russian Orthodox 44%, Protestant 2%, other 7%
Monetary unit: Kazakhstani tenge (KZT)	
Economic trends, 2013	
GDP per capita (USD)	12 869
GDP growth	5.0%
Inflation	6.0%
Currency exchange	1 USD = 153 KZT; 1 EUR = 200 KZT
Unemployment rate (% of labour force)	5.3
Living standards	
Life expectancy	69 years
Literacy rate	99.5%
Poverty rate (share of population under poverty line)	4.0%
Territorial and institutional framework	
Administrative-territorial structure	14 regions, 2 cities of republican significance, 175 administrative areas, 87 cities, 34 settlements and 6 947 rural settlements

Chapter 1

The context of governance reforms in Kazakhstan

Since 2000, Kazakhstan has been one of the fastest-growing economies in the world. Despite the 2008 global financial crisis, Kazakhstan's economy continued to deliver positive results. Building on this success, Kazakhstan has set a new long-term target to join the rank of the top 30 developed countries by 2050. Yet despite remarkable recent transformation, Kazakhstan is facing a number of challenges which can undermine the sustainability of the country and its ability to achieve this objective. These include growing regional disparities in wealth distribution, a persistently high poverty rate, particularly in rural areas, corruption, challenges in ensring the rule of law and quality of democratic institutions, limited human capital and limited citizen participation in policy processes. As such implementing governance reforms to advance the effective functioning and capacities of government institutions, reduce corruption and enable the rule of law in a context of greater openness and democratisation will be critical for the country to implement its ambitious vision and objectives. The purpose of this chapter is to provide a historical and broad socio-economic context in order to situate the current governance reforms in Kazakhstan and the recommendations of the current review.

* Note: The statistical data for Israel is supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by OECD is withous prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Kazakhstan is emerging as the most dynamic economic and political actor in Central Asia. It is the ninth largest country in the world with a territory equal to that of Western Europe, but with one of the lowest population densities in the world. Strategically, it links the large and fast growing markets of the People's Republic of China and South Asia with the Russian Federation and Western Europe by road, rail and ports on an internal sea, the Caspian. It has rich natural resources, particularly oil and gas reserves (the country ranks 12th in the world in terms of oil reserves and 19th for natural gas reserves), which attract an increasing flow of direct foreign investments. Kazakhstan became a member of the Organisation for Security and Co-operation in Europe in 2010 and is pursuing global integration through the accession process to the World Trade Organization (WTO). Over the past decade, the country has made important policy strides, progressed towards developing a rules-driven fiscal framework, strengthened public management and its business climate, and allocated resources for improved social services and critical infrastructure to sustain growth (World Bank, 2012a). Since 2000, Kazakhstan has been one of the fastest-growing economies in the world. Building on this success, Kazakhstan has set a new long-term target to join the rank of the top 30 developed countries by 2050.

Yet despite remarkable recent transformation, Kazakhstan is facing a number of challenges which can undermine the sustainability of the country and its ability to achieve the objective of becoming one of the most advanced countries in the world. These challenges include growing regional disparities in wealth distribution, a persistently high poverty rate, particularly in rural areas, limited human capital, corruption, uneven implementation of the rule of law and democratic processes and limited citizen participation in policy processes. As such, implementing governance reforms to advance effective functioning of government institutions, strengthening quality of democratic institutions and rule of law and reducing corruption will be critical for the country to implement its ambitious vision and objectives (Emrich-Bakenova, 2009; Perlman and Gleason, 2007; Schatz, 2004; Knox, 2008).

The purpose of this chapter is to help situate the current governance reforms in Kazakhstan and the recommendations of the current review in the historical and broad socio-economic context and in relation to the specific challenges and strengths faced by Kazakhstan.

Economic reforms

While Kazakhstan is continuously achieving high levels of economic growth, further efforts are necessary to enable sustainable and inclusive growth for all

Kazakhstan, geographically the largest of the former Soviet republics, excluding the Russian Federation, possesses significant fossil fuel reserves and plentiful supplies of other minerals and metals, such as uranium, copper and zinc. It also has a large agricultural sector featuring livestock and grain. In 2002, Kazakhstan became the first country of the former Soviet Union to receive an investment-grade credit rating. Extractive industries have been and will continue to be the engine of Kazakhstan's growth, although the country is beginning to pursue diversification strategies.

At the end of 2007, global financial markets froze up, and the loss of capital inflows to Kazakhstan's banks caused a credit crunch. The subsequent and sharp fall of oil and commodity prices in 2008 aggravated the economic situation, which led to a deep recession in Kazakhstan. While the global financial crisis took a significant toll on Kazakhstan's economy, it has quickly rebounded with the help of rising commodity prices

and government actions. Gross domestic product (GDP) increased by 7.5% year-on-year in 2011, and 5.5% in 2012.

Yet, despite improving macroeconomic indicators, Kazakhstan still needs to secure macroeconomic stability, lower inflation, and increase the competitiveness and viability of its banking and construction sectors. There is also an increasing recognition among Kazakhstan's policy makers that over-reliance on oil and extractive industries is unsustainable. This has prompted the government to embark on a diversification programme, aimed at developing targeted sectors like transport, pharmaceuticals, telecommunications, petrochemicals and food processing.

The economic legacy of the Soviet period defined economic reforms in the early transition period in Kazakhstan (1991-99)

The historical legacy of economic reforms in Kazakhstan has an important impact on defining the priorities on the current government agenda. Under the Soviet Union's economic system, Kazakhstan mainly produced raw materials and agricultural products (particularly grain). During Soviet times, minerals were Kazakhstan's most dominant raw materials. In 1989, Kazakhstan produced 19% of all coal and 10% of all iron ore in the Soviet Union. Interestingly, the country produced only 4% of all crude oil (Pomfret, 2006). The discovery of new oil and gas fields in the early 1990s made Kazakhstan the 11th largest holder of proven oil and natural gas reserves. Nevertheless, minerals are still important. Kazakhstan has the second largest uranium, chromium, lead and zinc reserves, and the fifth largest copper reserves of the world.

With the collapse of the Soviet Union in 1990s, Kazakhstan acquired independence. The challenges of nation-building were superimposed on the transition from a centrally planned to a market-based economy, which had begun in the late 1980s, but had little influence on Central Asia before the Soviet economic system began to unravel in 1991 (Pomfret, 2006). The indigenous capacity for economic management was limited, given that most economic development strategies during the Soviet period were determined by Moscow.

As a result of a strong economic integration with the Russian Federation, Kazakhstan initially pursued a similar course of reform. It lifted price controls for about 80% of all goods in 1995, which wrought havoc on prices due to high rates of inflation. The monetary inflation rate reached 1 381% per annum at the end of 1992 and peaked in early 1994 at 1 892% (Wandel and Kozbagarova, 2009). After having introduced the national currency (tenge), Kazakhstan was able to pursue a tight fiscal and monetary policy, limiting inflation to 17% (National Bank). This combination of tight policy and a stable exchange rate gradually caused a real appreciation of the tenge and decreased the price competitiveness of the real sector of the economy.

In addition, more than 1.5 million highly skilled people (over 10% of the country's population) left the country after its independence, including highly qualified minorities such as Germans and Russians. This had a strong impact on country's economic performance in the early transition years (European Parliament, 2013). In 1998, Kazakhstan's economy was the hardest hit in Central Asia by the Russian crisis, but, following a large devaluation of the currency and, more importantly, the upturn in world oil prices, it began to grow rapidly after 1999.

The privatisation process gave rise to powerful business groups and raised governance questions

The privatisation process that took place in the 1990s still has an impact on the distribution of wealth in Kazakh society and hence continues to shape the government agenda. In 1991, at the beginning of the privatisation process, which was regarded as the key to the success of transformation efforts, there were 21 000 state-owned enterprises, which employed 87% of Kazakhstan's workforce. The original privatisation programme for commercialisation and privatisation of virtually all enterprises was carried out in three phases. Phase I (1991-92) was to establish the locus of ownership of all state property, the agent of the owner and an administrative framework for delegation of ownership rights. Phase II (1993-95) focused on the privatisation of medium-sized and large enterprises. Phase III (1996-98) completed the process.

Kazakhstan has progressed quickly with the introduction of private property rights, which are explicitly guaranteed in the Constitution. Small-scale enterprises (those employing 200 or fewer workers) were privatised by cash sale. Kazakhstan privatised its medium-scale enterprises through a voucher scheme similar to methods implemented in the Czech Republic and the Russian Federation. In practice, questions were raised with regard to the fairness of voucher allocation, the slowness of the process of privatisation and widespread cases of spontaneous alienation of state assets (Olcott, 2002: 138). Very large firms were privatised on a case-by-case basis through direct asset sale.

The privatisation process gave rise to big business groups, mostly holding companies (Pomfret, 2006). These groups tend to be vertically integrated conglomerates and control multiple phases of the production process, such as financing, capital and manufacturing.[1] Business groups are particularly widespread in the banking sector. This is an outcome of the early transition years, when many manufacturing and trading enterprises had founded their own banks.

Overall, although contributing to reducing the role of the state in the economy, the way the process of large-scale privatisation and of the allocation of oil and mineral rights was conducted was seen as undermining the institutional quality in Kazakhstan, which led to sliding rankings on good governance and freedom from corruption.[2] It was seen as generally benefitting insiders or other stakeholders with connections, who gained major shares of the most valuable assets, and was associated with widespread corruption and a sense of crony capitalism (European Parliament, 2013). There was little transparency, and many of the deals were concluded rapidly, often at give-away prices to well-connected stakeholders (Olcott, 2009).

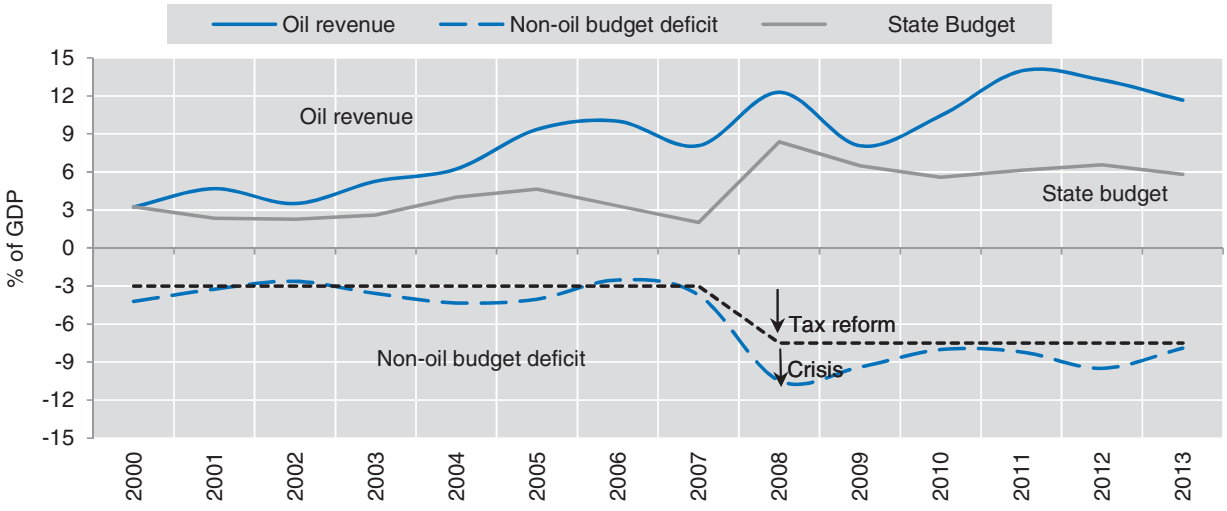
Rising oil prices resulted in the economic boom in the early 2000s and a quick recovery after the world's economic crisis… yet the economy remains highly dependent on natural resources

After eight years of severe transitional crisis, Kazakhstan experienced an economic boom from 2000 to 2006. In May 2000, the government paid off its debts to the International Monetary Fund (IMF) ahead of schedule, and the state enjoyed a budget surplus in 2005 and 2006 (Committee for Statistics, 2007). With average annual growth rates of 10%, the country became a success story not only in Central Asia, but also in the Commonwealth of Independent States (CIS). Rising oil prices played a major role in this growth. GDP per capita rose, in terms of constant 2011 dollars, from USD 5 982 in 2000 to USD11 245 in 2011 (World Bank, 2012a). The economic recovery was also supported

by liberal reforms, including price and trade liberalisation, sound macroeconomic policy, promotion of entrepreneurship and development of financial services (Pomfret, 2006).

Yet, the fall of oil prices (from nearly USD 150 per barrel in July 2008 to under USD 40 in December 2008) in the wake of the global economic and financial crises, and subsequent reduction in real estate property prices, led to an economic slowdown and a deterioration in the quality of banks' assets (Figure 1.1; World Bank, 2012a).[3]

Figure 1.1. **Oil revenues and budget deficit**



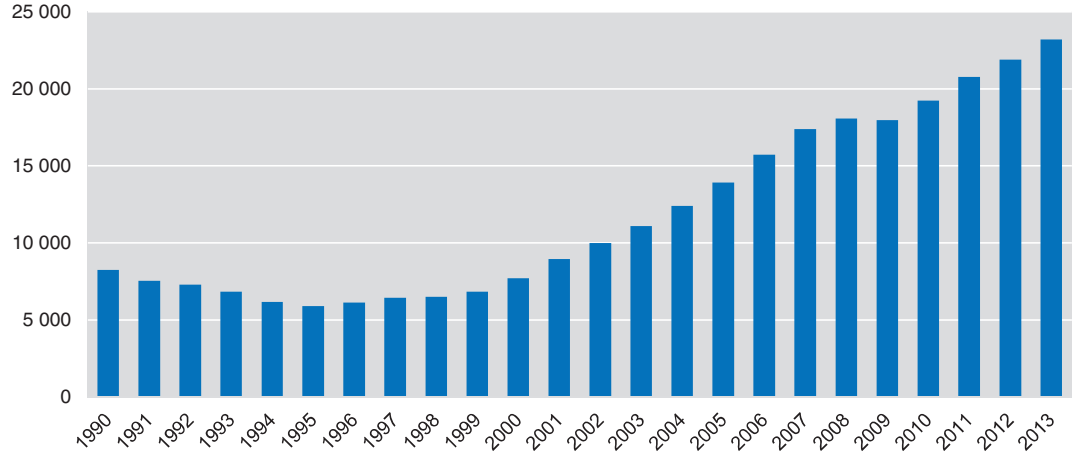
Source: Ministry of Finance of the Republic of Kazakhstan; World Bank (2012a), "Country partnership strategy with the Republic of Kazakhstan for 2012-2017", The World Bank, Washington, DC.

Kazakhstan's response to the crisis combined fiscal relaxation with bank stabilisation measures, accompanied by financial support to agriculture, small business, infrastructure, construction and major banks totalling USD 17 billion. The government restrained expenditure to hold the non-oil fiscal deficit at 3% of GDP with large saving transfers into a National Fund (Figure 1.2), which helped stabilise the excessive inflow of oil revenues and prevent an excessive real appreciation of the tenge. As a result, Kazakhstan's economy grew by 7.5% in 2011, compared with a growth rate of 1.2% in 2009.

As such, as a result of its access to oil resources, Kazakhstan is the richest of the former Soviet Central Asian republics and is classified by the World Bank as an "upper middle-income country", with a per capita GDP just above USD 12 000 (EUR 9 000) in 2012, yet below the OECD average of USD 16 240 Purchasing power parity (OECD, 2013).

The capital budget of the government went down from 6.4% of GDP in 2011 to 6.0% in 2012, mainly reflecting lower capital transfers to the state-owned enterprise sector, while government investments were brought down to the pre-crisis levels of 4.6% of GDP in 2011-12 (Table 1.1).

Figure 1.2. **GDP per capita, purchasing power parity (constant international current USD)**



Source: World Bank (2012a), "Country partnership strategy with the Republic of Kazakhstan for 2012-2017", The World Bank, Washington, DC.

Table 1.1. **Kazakhstan: Government fiscal accounts, 2008-12**

In % of GDP

	2008	2009	2010	2011	2012
Consolidated government revenue	29.7	22.7	25.0	27.7	26.8
Oil revenue	12.3	8.1	10.4	14.0	13.4
Non-oil revenue	17.4	14.7	14.6	13.8	13.4
Total expenditures and net lending/1	27.2	27.9	22.5	21.8	22.3
Current expenditures	14.2	16.1	15.0	14.9	16.2
Wage bill	3.2	3.7	3.4	3.2	3.4
Goods and services	6.2	7.0	6.6	6.7	7.8
Interest payments	0.4	0.4	0.4	0.4	0.4
Subsidies and current transfers	4.4	4.9	4.6	4.5	4.6
Capital expenditures	12.8	7.3	7.0	6.4	6.0
Government investments	5.8	5.5	5.1	4.6	4.6
Capital transfers	7.0	1.7	1.9	1.8	1.4
Net lending	0.3	0.2	0.1	0.3	0.1
Off-budget lending to Samruk-Kazyna	0.0	4.4	0.3	0.3	0.0
Consolidated budget surplus/2	2.5	-0.8	2.9	6.2	4.5

Source: World Bank (2013), *Kazakhstan: On the Crest of the Oil Wave*, Economic Update, Spring 2013, The World Bank, Washington, DC, www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/10/30/000456288_20131030082259/Rendered/PDF/768430WP0Kazak00Box374391B00PUBLIC0.pdf.

Yet economic growth slowed in 2012 due to capacity constraints in the oil sector, weaker global demand for metals and unfavourable weather conditions affecting crop production (World Bank, 2012a). Real GDP growth slowed from 7.5% year-on-year (y/y) in 2011 to 5.0% in 2012. Moreover, while high oil prices continued spurring domestic consumption, fixed capital investments remained depressed and private investments remain stagnant to this day (1-2% growth y/y a year since 2009).

Employment has steadily increased despite the crisis, with preliminary official data showing 8.5 million people employed as of the end of 2012, compared to 7.9 million people in 2008-09 (Committeefor Statistics, 2012). The unemployment rate rose from 6.6% of the total labour force in 2008 to almost 7% in the first half of 2009, when the economic crisis hit the country the hardest. It has started improving since mid-2009, following the government anti-crisis measures, and dipped to 5.3% in 2012. Labour force participation has also increased, from 71% in 2008-10 to over 72% in 2012. Table 1.2 provides an overview of selected economic indicators in Kazakhstan during the period between 2005-13.

Table 1.2. **Kazakhstan: Economic indicators, 2005-13**

Selected indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013
GDP growth (annual %)	9.7	10.7	8.9	3.3	1.2	7.3	7.5	5.0	5.0
GDP per capita growth (annual %)	8.7	9.5	7.7	2.0	-1.4	5.8	6.0	3.5	3.9
GDP per capita (USD)	3 771	5 292	6 771	8 514	7 165	9 070	11 357	12 009	12 869
Inflation (annual %)	7.4	8.4	18.8	9.5	6.2	7.8	7.4	6.0	6.0
Private consumption growth (annual %)	9.7	11.9	10.5	4.4	1.6	10.7	9.7	9.3	6.5
Gross fixed investment (% of GDP)	31.0	33.9	35.5	27.5	29.4	25.4	22.2	21.6	21.3

Source: World Bank (2013), *Kazakhstan: On the Crest of the Oil Wave*, Economic Update, Spring 2013, The World Bank, Washington, DC, www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/10/30/000456288_20131030082259/Rendered/PDF/768430WP0Kazak00Box374391B00PUBLIC0.pdf.

The country also remains highly dependent on oil, gas and mineral resources (for example, the oil sector accounts for 60% of total exports and more than 25% of GDP), and this dependency is expected to grow once the Kashagan oil field becomes fully operational. Other sectors continue to suffer from low productivity and competitiveness, although the service sector is developing steadily as a result of high local demand (European Parliament, 2013).

The government recognises the need to develop a diversified economy to enable sustainable long-term economic growth and is investing significant efforts into the modernisation of the industrial base in the country. For example, it has put in place an innovative industrial development strategy for 2003-15, in order to ensure a stable development of the country on the basis of the diversification and modernisation of the economy by creating conditions for the creation of competitive products and export growth. The Strategy Kazakhstan-2050also underlined the importance of a positive business environment, diversification of the economy and the country's competitiveness, as well as social justice for achieving this objective. Inspired by examples of Southeast Asian economies like South Korea, Singapore and, in particular, Malaysia, whose economic success is perceived to be the result of prudent, strategic government planning, the Kazakhstan's government focuses on promoting diversification with an active industrial policy (as opposed to developing an institutional environment that would allow for a market-driven diversification process). Based on the Strategy Kazakhstan-2050, the government is currently developing an innovation strategy until 2030.

Kazakhstan's visioning and strategic planning processes set ambitious goals for the country and are central to advancing reforms

The government of Kazakhstan has produced three successive strategy documents, which inform its future development in terms of national well-being and economic growth: Strategy Kazakhstan-2050, 2030 and 2020. These strategies constitute the government's activities blueprint and roadmap for its policy reforms for the next 35 years, a remarkable example of a multi-year integrated development plan that applies to all levels of government and public service.

The latest Strategy 2050 sets forth seven priorities:[4]

- an all-around economic pragmatism based on the principles of profitability, return on investment and competitiveness;
- comprehensive support to entrepreneurship;
- social guarantees and personal responsibility as new principles of social policy;
- knowledge and professional skills as key landmarks of modern education;
- strengthening the state and the development of democracy in Kazakhstan;
- consistent and predictable foreign policy to promote national interests and strengthen regional and global security, and
- promoting Kazakhstan's multi-ethnic and multi-confessional society as a source of strength.

These strategies aim to achieve "a long-term way of development of the sovereign republic, directed at transforming the country into one of the safest, most stable, ecologically sustained states of the world with a dynamically developing economy" (Official Site of the President of the Republic of Kazakhstan, n.d.). They can serve as a testament to an integrated perception of the country's development, promoted by Kazakhstan.

Further improvements in the business climate would support the implementation of national goals

In the efforts to achieve economic growth in Kazakhstan, most of the investments and developments have been in the natural resources sector. More recently, however, the government has been promoting investments in other industries and sectors to diversify the economy and decrease its dependence on natural resources. For example, Kazakhstan has established institutions to promote investment, including KazNexInvest and the Foreign Investors' Council, and is planning to create the position of investment ombudsman. To achieve sustainable economic development, however, it will be critical for the government of Kazakhstan to place an even stronger emphasis on reforming the investment and business climate as a foundation for private sector development and national competitiveness.

Currently, significant efforts have been made to strengthen the business climate and enabling environment, including a reduction of the regulatory burden for firms. These efforts have translated into a significant improvement in the World Bank's Doing Business (DB) rankings and other indicators. Thus, Kazakhstan's overall DB rank improved from 58th in 2010 to 50th in 2014, with major improvements registered in starting a business and getting credit (Table 1.3). Although this is higher (worse) than the OECD average, it tends to be on par with some OECD countries (Table 1.4).

Table 1.3. **Kazakhstan: Doing Business indicators, 2011-14**

Topic rankings	DB 2011	DB 2012	DB 2014
Overall rank	58	56	50
Starting business	49	55	30
Dealing with construction permits	148	150	145
Getting electricity	87	81	87
Registering property	27	28	18
Getting credit	75	97	86
Protecting investors	44	10	22
Paying taxes	26	16	18
Trading across borders	176	178	186
Enforcing contracts	26	28	27
Resolving insolvency	49	55	54

Source: World Bank (2013), *Kazakhstan: On the Crest of the Oil Wave*, Economic Update, Spring 2013, The World Bank, Washington, DC, www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/10/30/000456288_20131030082259/Rendered/PDF/768430WP0Kazak00Box374391B00PUBLIC0.pdf.

Table 1.4. **Ease of doing business in the OECD and Kazakhstan**

Country	World Bank Doing Business ranking	Country	World Bank Doing Business ranking
Australia	11	Kazakhstan	50
Austria	30	Korea	7
Belgium	36	Luxembourg	60
Canada	19	Mexico	n/a
Chile	34	Netherlands	28
Czech Republic	75	New Zealand	3
Denmark	5	Norway	9
Estonia	22	Poland	45
Finland	12	Portugal	31
France	38	Slovak Republic	49
Germany	21	Slovenia	33
Greece	72	Spain	52
Hungary	n/a	Sweden	14
Iceland	13	Switzerland	29
Ireland	15	Turkey	n/a
Israel	35	United Kingdom	10
Italy	65	United States	4
Japan	27	OECD average	29

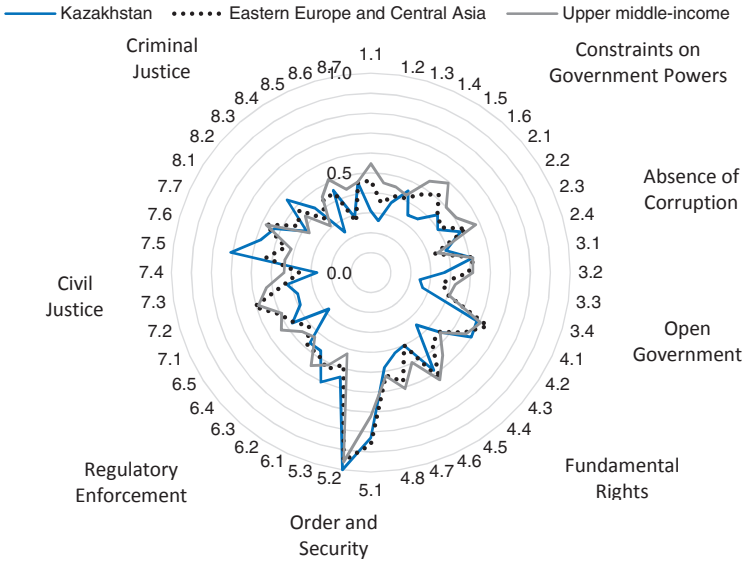
Source: Based on World Bank (2013a), *Doing Business 2014 – Economy Profile: Kazakhstan*, The World Bank, Washington, DC, www.doingbusiness.org/data/exploreeconomies/~/media/giawb/doing%20business/documents/profiles/country/KAZ.pdf?ver=2.

Thus, according to the 2013 Kazakhstan Attractiveness Survey conducted by Ernst & Young, investors in Kazakhstan value the country's political, social and macroeconomic stability, its reserves of natural resources, telecommunications infrastructure (78%) and corporate taxation (68%). The World Economic Forum also ranked Kazakhstan's economic competitiveness as 51st out of 144 countries in 2012, which represents a major improvement as compared to 72nd out of 142 countries in 2011.

Still, when compared to OECD countries, Kazakhstan remains well below the average, which indicates that certain areas require more tailored policy interventions to enable private sector expansion. For example, OECD interviews revealed that some of the major challenges for doing business are linked to closing a business, which may take over a year.[5] Access to financing (especially long-term financing for capital investment) also remains limited and is therefore a major obstacle to firms' growth, especially for small and medium-sized enterprises (SMEs). Lack of financing to the private sector is directly linked to the challenges faced by the financial sector, including high levels of non-performing loans, limited capitalisation, lack of active non-banking financial institutions (such as leasing, factoring and microfinance) and deficiencies in credit infrastructure.

In addition, attracting direct foreign investment in the underdeveloped non-extractive sectors will require efforts beyond the elimination of administrative barriers. Important challenges remain in key areas such as trade, the judicial system, corruption, quality of institutions and the rule of law. For example, according to the Ernst & Young Kazakhstan attractiveness survey, 59% of respondents raised concerns with regard to the level of legal and regulatory transparency. Some respondents felt that the investment climate has deteriorated, due, among other things, to an increased administrative burden, the level of government intervention in business processes, a perceived deterioration of the rule of law and concern over the security of investments.

Figure 1.3. **Kazakhstan's scores on the Rule of Law Index**



Source: World Justice Project (WJP) (2014), *Rule of Law Index 2014*, WJP, Washington, DC, http://worldjusticeproject.org/sites/default/files/files/wjp_rule_of_law_index_2014_report.pdf.

Indeed, the experience of OECD countries shows that sound justice institutions and the functioning rule of law are critical for economic growth, effective contract enforcement, policy implementation and trust in government. Justice institutions determine the equality under the law and define those who will bear the cost of enforcement. In Kazakhstan, the signals with regard to the performance of the rule of law remain mixed. For example, while the accessibility, effectiveness and impartiality of the civil justice system in Kazakhstan scored below the overall OECD average, the results are generally on par with those found in some OECD countries. Order and security in Kazakhstan also tend to be comparable to OECD countries. Yet, in most other areas, as measured by the Rule of Law Index, Kazakhstan tends to score well-below most OECD countries (Figure 1.3, Table 1.8), which may limit investor confidence and undermine the sustainability of an attractive business climate in Kazakhstan. The legal framework is also seen as subject to political interference, with limited capacity in courts to protect property rights effectively, which undermines the legal certainty and predictability necessary for a sound investment climate.

Table 1.5. **World Justice Project Rule of Law Index**

	Kazakhstan	OECD
Limited government powers	0.35	0.76
Absence of corruption	0.38	0.77
Order and security	0.74	0.81
Fundamental rights	0.5	0.79
Open government	0.36	0.71
Regulatory enforcement	0.44	0.71
Civil justice	0.49	0.68
Criminal justice	0.46	0.70

Source: World Justice Project (WJP) (2012), *Rule of Law Index 2012-2013 Report*, WJP, Washington, DC, http://worldjusticeproject.org/publication/rule-law-index-reports/rule-law-index-2012-2013-report.

Social progress

While Kazakhstan is making significant progress in improving social indicators, important challenges remain

Kazakhstan saw significant improvements in social development indicators between 2000 and 2010, including the Gender Inequality Index, which gained more than 30% over a decade, and the Human Development Index, which ranked Kazakhstan 69th out of 187 countries in 2012, an improvement from 80th place in 2005. Kazakhstan has already attained the first three out of the eight Millennium Development Goals and is making progress on the remaining goals. Poverty levels fell from 46.7% in 2001 to 5.3% in 2011.

Kazakhstan's growth has been pro-poor, driven by job creation and real income gains. Poverty reduction has been substantial, with the share of the population living in poverty (as measured by the PPP-corrected USD 2.5 per capita per day) falling from 41% to 4% during 2001-09. Over the same period, the share of the population living below USD 5 per day fell from 79% to 42% (World Bank, 2013b). Female-headed households, which represent over 30% of all households in the country, have poverty rates similar to that of the male-headed households. Over a quarter of the population receives some form of social assistance, reducing disparities. The level and coverage of social assistance

programmes require continuing reforms to protect the most vulnerable, which is among the government's priorities.

Moreover, real income gains have further contributed to poverty reduction. Real wages grew by 11% per year over 2000-10, with mean wages growing 2.4 times in Kazakhstan over the same period. Real incomes (in constant 2012 prices) continued to improve post crisis, with an average monthly wage of USD 678 in 2012, compared to USD 559 in 2009.[6] Growth in consumption contributed to reduce inequality (as measured by the Gini coefficient) from 0.37 to 0.27 during 2001-09, a level considered relatively moderate in the global context (although the Gini spiked up again to 0.29 by 2011, suggesting that the recent crisis negatively impacted incomes and consumption in the lower quintile more than in the top one).

Table 1.6. **Gini coefficient of OECD countries and of Kazakhstan, post taxes and transfers**

Country	Gini coefficient, 2010	Country	Gini coefficient, 2010
Australia	0.334	Kazakhstan	0.29 (2011)
Austria	0.267	Korea	0.310
Belgium	0.262	Luxembourg	0.270
Canada	0.320	Mexico	0.466
Chile	0.501 (2011)	Netherlands	0.288
Czech Republic	0.256	New Zealand	0.317 (2009)
Denmark	0.252	Norway	0.249
Estonia	0.319	Poland	0.305
Finland	0.260	Portugal	0.344
France	0.303	Slovak Republic	0.261
Germany	0.286	Slovenia	0.246
Greece	0.337	Spain	0.338
Hungary	0.272 (2009)	Sweden	0.269
Iceland	0.244	Switzerland	0.298 (2009)
Ireland	0.331 (2009)	Turkey	0.411 (2009)
Israel	0.376	United Kingdom	0.341
Italy	0.319	United States	0.380
Japan	0.336 (2009)	OECD average	

Source: OECD.Stat, Income Distribution and Poverty: http://stats.oecd.org/index.aspx?queryid=46189.

Economic growth has led to employment expansion from 6.2 million people in 2000 to 8.5 million people in 2012. As of 2012, agriculture still employed 26% of the active population, while industry and construction employed 12% and 8% respectively. Overall, services (excluding central government administration) employ over 50% of the active population.

The downward trend in the unemployment rate remained unabated during the crisis, with the current 5.5% unemployment rate at less than half of its level in early 2000. Unemployment rates are higher among the youth, women, those with less education and those living in the south of the country. The share of budgetary expenses allocated to social sectors reached an all-time high at about 60% in 2010-11 (World Bank, 2012a). The emphasis on improving social services over the past decade gained a new impetus during the crisis.

In addition, Kazakhstan is making significant progress in terms of increasing standards of living for its people. The Kazakhstan's government launched new employment programmes and increased social spending in 2012, with 942 schools and 758 hospitals built across the country since 1997. The country also introduced mandatory preschool education in 1999, which covers 94.7% of preschoolers. Over the last 12 years the number of college scholarships has increased by 182%. In 1993, the country adopted a "Bolashak" programme which provides an opportunity for young Kazakhs to study in the world's top universities.

Yet, despite this progress, Kazakhstan continues to face a range of significant challenges. First, life expectancy, at 68.6 years, is at the level of the EU-15 in 1950 and lower than other countries of similar income (United Nations Development Program, 2013). This is due to the slow progress of male life expectancy – the female advantage in life expectancy in Kazakhstan is ten years, while the world average is four.

Maternal and child health continues to face challenges: infant mortality and under-five mortality rates are at 26 and 29 per 1 000 live births, respectively. The quality of medical care in rural areas remains poor (Strategy Kazakhstan-2050).

Challenges also remain to make access to high-quality education more equitable and improve its quality. Moreover, vocational education remains of uneven quality, generating a shortage of vocational workers. In fact, men with basic vocational degrees were highly valued in the labour market in 2010, generating a gap in skills, which is a major concern to entrepreneurs and may challenge the growth potential of technology-intensive manufacturing and business services. The 2012-2013 World Economic Forum report indicates that the inadequately educated workforce is the most problematic factor for doing business in Kazakhstan. More specifically, a recent survey by Ernst & Young noted that, in general, investors see the Kazakh population as talented and well-educated. However, the number of potential employees with industry-specific knowledge, skills, practical skills and knowledge of modern technologies in Kazakhstan remains insufficient. Respondents mention the "generation gap" in technical specialties. Employees who received a sound Soviet-era education are retiring, and the new education system does not yet offer the same fundamental quality and consistency. Furthermore, respondents note the comparatively low level of interest of the younger generation in pursuing engineering and technical careers (Ernst & Young, 2012).

In addition, some particular challenges remain in rural areas, including high poverty rates (while the poverty rate is less than 5% in towns, it constitutes about 10% in rural areas); low-quality medical care and limited access to good quality education. Other social challenges include a low level and poor targeting of social benefits for disadvantaged groups (pensioners, disabled people, low-income families etc.), marginalisation and growth of criminality in depressed small industrial towns, illegal migration of low-skilled workers from neighbouring countries to Kazakhstan and problems with the integration of oralmans – ethnic Kazakhs who immigrate to Kazakhstan from China, Mongolia and other regions.

The government of Kazakhstan recognises these challenges and has included them into the Strategy Kazakhstan-2050, which identifies among some of the key priorities for the country an improvement in healthcare and education services, including updating curricula to respond to market demands.

Significant regional disparities remain across the country

Kazakhstan is facing significant socio-economic and technological disparities between its regions. One of the most significant challenges for Kazakhstan in improving public service quality at lower cost is its small population size (16.7 million people) spread over a vast territory equal in size to Western Europe, with nearly half of the citizens (43%) living in rural areas (Janenova, 2009).

Regional disparities are very high, with rural areas, small towns and whole regions in the west and south lagging in terms of comparative living standards. The country is challenged by an unequal distribution of the labour force between regions and a low density of population across the large territory. Four regions (Almaty and Astana, cities with special status; Atyrau and Karaganda *oblasts*[7]) out of 16 provide 47% of the country's GDP (Forecast Scheme, 2011). The main investments and other economic resources are also concentrated in these regions.

The share of the region in GDP is a key indicator of the current situation and perspectives of development of the region. Five groups of regions have been distinguished on the basis of their share in GDP (Table 1.7).

Table 1.7. **Classification of Kazakhstan's regions in terms of GDP for 2009**

No. group	Region	Rating	Share of GDP, %	Classification	Interval, %
I	Almaty city	1	18.7	Leaders	11-20
	Atyrau *oblast*	2	11.6		
II	Karaganda *oblast*	3	8.9	High dynamics of development	7-11
	Astana city	4	8.1		
III	Mangistau *oblast*	5	6.5	Average dynamics of development	5-7
	Eastern-Kazakhstan *oblast*	6	5.8		
	South-Kazakhstan *oblast*	7	5.4		
	Pavlodar *oblast*	8	5.1		
	Aktyubinsk *oblast*	9	5.0		
IV	Western-Kazakhstan	10	4.8	Below average dynamics of development	4-5
	Almaty *oblast*	11	4.5		
	Kostanay *oblast*	12	4.3		
V	Kyzylorda *oblast*	13	3.8	Low dynamics of development	Up to 4
	Akmolinsk *oblast*	14	3.1		
	North-Kazakhstan *oblast*	15	2.4		
	Jambyl *oblast*	16	2.1		

Source: Forecast Scheme for Spatial-Territorial Development of the Republic of Kazakhstan till 2020, Presidential Decree of the Republic of Kazakhstan No. 118 dated 21 July 2011.

The oil and gas regions in Western Kazakhstan (Atyrau and Mangistau *oblasts*) are the most important regions for the country, as they were able to make a major contribution to the economic recovery in the post-crisis period. However, both regions are facing common challenges: low population density, underdeveloped rural areas, poverty, weak territorial development except for the coast, undiversified industry; all of which exacerbates the situation during fluctuations in oil and gas prices. Regions with coal and steel industries are similarly vulnerable. The old and new capital (Almaty and Astana) retain leading positions due to a more modernised economy and dominance of the tertiary sector, mainly in the market (Almaty) or with a significant share of non-market state services (Astana). Medium-developed regions that include single-industry towns (or

monotowns), a heritage of the Soviet period, are facing more difficult conditions due to the low prices for their products. The main priorities are the optimisation of monotowns, depending on the production capacity of industry companies, economic diversification and the development of SMEs, increased labour mobility and support for the social and engineering infrastructure.

Kazakhstan is adopting a range of measures to develop backward agricultural regions, including the State Program for Forced Industrial Innovation Development (SPFIID), which aims to reduce regional economic inequality through the redistribution of public funds. Yet, while the flow of "oil" money to underdeveloped regions contributes to their economic recovery, it may create dependence on this additional flow of income.

As such, as acknowledged in the Strategy Kazakhstan-2050, enhanced co-ordination among government agencies responsible for regional development and synchronising the implementation of all government and industry programmes by addressing priority issues of regional development would be critical to close the remaining gaps in this area.

Kazakhstan has made progress in improving gender equality, yet a number of structural barriers to parity remain

Kazakhstan has made important progress in improving gender equality, ranking 41st in the world and doing particularly well on economic participation, education and health (in the top 25 for all these indicators) (World Economic Forum, 2010). Kazakhstan has ratified the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), which obliges it to take broad-based efforts to equalise gender relations in the country.

The Constitution and laws of Kazakhstan give equal rights to men and women, including in marital matters, as established in the Kazakh Family Code. In 2006, Kazakhstan adopted a 2006-16 Gender Equality Strategy to support the implementation and monitoring of the gender equality policy. Recently, Kazakhstan adopted several gender equality laws, including a new Law on Equal Opportunities for Men and Women that prohibits discrimination based on gender, and a Law on Domestic Violence that outlines the responsibilities of local and national governments and NGOs in providing support to domestic violence victims, and sets a maximum sentence for spousal assault (in Kazakhstan, as elsewhere in the region, domestic violence is often seen as a private family matter). The OECD Social Institutions and Gender Index has ranked Kazakhstan third among the participating non-OECD countries.

Sixty-eight percent of Kazakhstan's women over the age of 15 are economically active (2012).[8] With a female-to-male ratio of 0.91 (2011), Kazakhstan ranks 18th out of 135 countries in terms of women's participation in the labour force.[9] Women are also well represented in the civil service, accounting for 54.4% of all civil servants (Civil Service and Anti-Corruption Agency, 2013). Moreover, around 25% of firms in Kazakhstan are managed by women, the 8th highest percentage in the region (World Bank, 2012b). Female participation in ownership and top management is more common in retail firms and in smaller firms.

Yet women remain underrepresented among parliamentarians (26 out of 107 members of parliament), among political executive officials (10%; Civil Service and Anti-Corruption Agency, 2013), and among senators (only 2 out of 47; Agency for Statistics, 2013). The Gender Equality Strategy of the Republic of Kazakhstan 2006-2016

aims to increase women's representation in parliament to 30%, a commonly accepted benchmark of the Beijing Platform of Action.

The lack of child care facilities has been identified as a major impediment for female labour force participation, both for high- and low-skilled women. Only 16% of children aged 1-6 attend early childhood development (ECD) centres. Among children of 5-6 years of age, 60% are in ECD centres.

In addition, issues related to domestic violence, bride kidnapping, human trafficking, discrimination and sexual harassment remain significant, particularly in rural areas.[10]

Gender issues could therefore benefit from special attention in all spheres. The political empowerment of women, encouragement for them to open businesses and build their careers, and a better access to child care facilities can all greatly contribute to the productivity and inclusiveness of the country, thus supporting its quest for sustainable competitiveness in the future.

Kazakhstan can capitalise on the strength of its ethnic diversity

Kazakhstan is ethnically and culturally diverse. Over 100 nationalities are represented in its population, in part due to mass deportations of many ethnic groups to the country during Stalin's rule. Russians constituted the largest ethnic group in the republic at the beginning of the 1980s, accounting for 40% of the total population (Dave, 2007). By the 1990s, due to large outflows of the Russian population, Kazakhs had become the largest group – 40% of the total population – and nowadays represent over 65% of the population (Russians represent 21.8% (Agency for Statistics, 2009). The official state language is Kazakh; however, Russian is commonly used for interethnic and everyday communication.

Kazakhstan is also a multi-religious state. Over 70% of Kazakhs are Muslim and 26% Christian (Agency for Statistics, 2010). Most Muslims in Kazakhstan belong to the Sunni denomination of Islam, while most Christians belong to the Russian Orthodox Church. Religious relations have been peaceful. The highly secularised and Sovietised current ruling elite has been successful in keeping the state secular and in taking a firm position against religious extremism of all kinds, emphasising that religious belief is a matter of individual conscience (Olcott, 2009).

To build on the strength of its ethnic diversity, Kazakhstan may further strengthen its diversity policies, as some of the minorities, mainly Russian and others, are believed to have left the country (nearly 2 million people).[11]

Government spending has a core role in achieving national objectives of inclusive growth and national well-being, yet it remains underutilised

Public spending serves as an instrument of government to achieve public policy objectives. Government spending in Kazakhstan, at 22.3% of GDP in 2012, as recorded in the national accounts is significantly below the OECD average of 45.4% of GDP (Table 1.8). This makes the public sector in Kazakhstan smaller than in most OECD member countries. While it may be helpful to keep expenditures under control, some of the key areas, such as education and environment, appear to be heavily under-resourced. Further investments are needed to strengthen the capacities of the public sector to effectively implement national strategies and carry out necessary reforms.

While the overall expediture on social assistance has increased, Figures 1.4 and 1.5. illustrate that they are similar to the expenditures for education. Yet, the expenditure for education has been increasing whereas expenditures for social assistance have decreased, from 20.9% in 2011 to 19.8% in 2012. Yet these expenditures remain lower than those in OECD countries, if considered as a percent of GDP. For example, the level of government expenditure in education as a percent of GDP in Kazkahstan is about 4% as compared to 5% on average in OECD countries.

Table 1.8. **Public expenditure as a percent of GDP in OECD countries (2011) and in Kazakhstan (2012)**

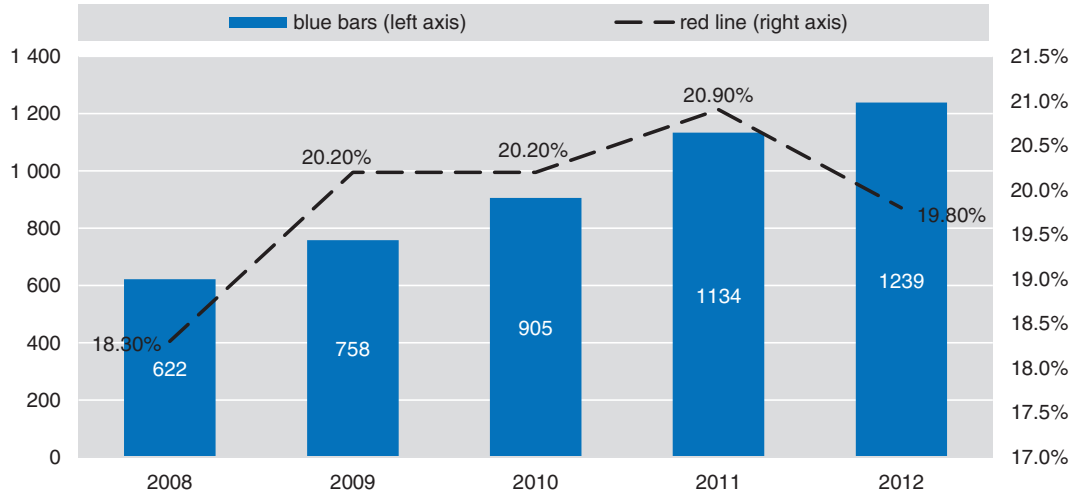
Country	Public expenditure as % of GDP	Country	Public expenditure as % of GDP
OECD average	45.4	Japan	42.0
Australia	36.3	Kazakhstan	22.3
Austria	50.7	Korea	30.2
Belgium	53.4	Luxembourg	41.8
Canada	44.1	Mexico	22.8
Chile	n/a	Netherlands	49.9
Czech Republic	43.2	New Zealand	49.5
Denmark	57.6	Norway	43.9
Estonia	38.3	Poland	43.4
Finland	55.2	Portugal	49.4
France	55.9	Slovak Republic	38.3
Germany	45.3	Slovenia	50.8
Greece	52.0	Spain	45.2
Hungary	49.6	Sweden	51.2
Iceland	47.3	Switzerland	33.9
Ireland	48.2	Turkey	37.4
Israel	44.6	United Kingdom	48.6
Italy	49.9	United States	41.7

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

The composition of government spending shifted toward current expenditures, driven by higher spending on goods and services (with an increase of 6.7% of GDP in 2010-11 to 7.8% in 2012); while transfers to the state-owned enterprise sector were cut (World Bank, 2012a). The size of the public sector wage bill stayed within 3.4% of GDP in 2012, which reflects a balance between adjustments in the salaries of civil and public servants as an attempt to narrow the pay gap between the public and private sectors, and a reduction of the number of civil servants from 97 000 in 2009 to 87 000 in 2010-12. By comparison, in OECD countries, the average compensation of general government employees (including central and local governments) is 10.8% of GDP (OECD, 2013). While a small civil service can be a sign of efficiency, a careful balance is needed between balancing costs and ensuring the right capacities in the public sector, both in terms of the number and the quality of employees it attracts to deliver on the national objectives. Attracting and retaining high-quality employees requires creating the right conditions in the public sector, including provision of competitive pay and possibilities for growth and development.

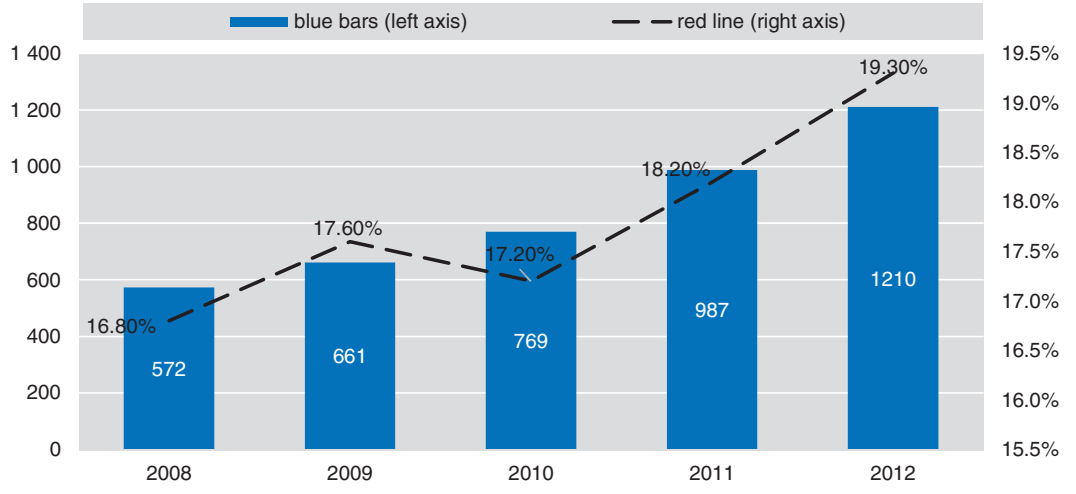
Morever, as acknowledged in the 2013 Kazakh Budget concept paper, the effectiveness of public expenditures is diminishing, which, if the tax base does not increase, may lead to budgetary imbalance. Effective management of public resources is also complicated by a large number of budgetary programmes, which are assigned to a wide range of public agencies in Kazakhstan, as well as an insufficient link between strategic and budgetary planning. Finally, there is no comprehensive approach to planning the investments of public funds.

Figure 1.4. **Government spending for social asistance and provision in Kazakhstan, 2008-12**



Source: Ministry of Finance of the Republic of Kazakhstan, www.minfin.kz.

Figure 1.5. **Government expenditures for education in Kazakhstan, 2008-2012**



Source: Ministry of Finance of the Republic of Kazakhstan, www.minfin.kz.

Public Administration Reforms

While Kazakhstan has inherited many elements of the Soviet institutional framework, it has adopted a culture of continuous improvement

The Republic of Kazakhstan was established on 16 December 1991, through a declaration of independence from the Soviet Union. The legacy of Soviet governance meant that Kazakhstan, along with other newly independent former Soviet state, technically inherited a Soviet version of the executive, legislative and judicial branches in place. As one of the former Soviet republics, the country had a hierarchically organised republican ministerial structure that largely paralleled the central bureaucratic institutions of the USSR (Olcott, 2002 cited in Duvanova, 2008). Bureaucratic hierarchy was organised on territorial principles with *oblast* (region), *raion* (district) and local administrations reporting to the higher level authorities, ministries and central agencies.

As such the country had to adapt to new conditions by introducing a range of administrative and constitutional reforms, which have been influenced by its Soviet heritage, international donor organisations, the ambitions of the political leadership to enter the international community and Kazakhstan's culture. The new Constitution was adopted in 1995, with a subsequent reform in 2007 (which was undertaken in the follow up to international concerns (European Forum for Democracy and Solidarity, 2014)[12] with regard to irregularities in the 2005 elections in Kazakhstan). The 2007 constitutional reform was carried out both in the context of a general political reform and in view of Kazakhstan's aspiration to hold the OSCE chairmanship (International Crisis Group, 2013).

Kazakhstan remains a centralised state with strong powers of the President

The current President of Kazakhstan has been in office for more than 20 years, since just before Kazakhstan's independence. After its independence, Kazakhstan settled on a political Constitution that provided the President with wide-ranging powers over the legislature, judiciary and local government, and a parliament with limited powers. In June 2007, Kazakhstan's parliament passed a law granting Kazakhstan's first President Nursultan Nazarbayev lifetime powers and privileges, including immunity from criminal prosecution and the right to nominate a successor. President Nazarbayev can act as his successor's advisor, continuing to influence domestic and foreign policy. Kazakhstan justifies the expansion of presidential power with its "special way" theory, adjusting the "Asian model," in which political reform takes a back seat to economic growth – "first the economy and then politics." Once economic recovery is ensured, political democracy will be introduced. In fact, in his speech to the nation on 29 February 2007, President Nazarbayev committed himself and the government to advancing democratic reforms through constitutional amendments.

The constitutional reform reduced future presidential terms from seven to five years. The powers of the President range from the right to select the Prime Minister and Chair as well as two of the seven members of the Central Election Commission to providing direct oversight to a number of agencies, ministries and oversight bodies (see Figure 1.5 and Chapter 3). Looking into the future, efforts to ensure a clear division of powers between the branches of power, including the role of the President, and to strengthen democractic processes may support the battle against corruption and ensuring the rule of law, as pre-conditions for the proper functioning of formal institutions and positive business and

investment climate (Cummings, 2005; Emrich-Bakenova, 2009; Perlman and Gleason, 2007; Schatz, 2004).

The executive (the government) is primarily responsible for the implementation rather than the formulation of public policies

The supreme executive and administrative body of Kazakhstan is the government (Cabinet of Ministers). The central executive bodies include ministries, agencies and committees, as well as central executive bodies which are not part of the government and which report directly to the President (e.g. the Civil Service and Anti-Corruption Agency; see Figure 1.6). Besides the government bodies, there are different state commissions, councils and other consultative bodies (e.g. National Analytical Centre) which aim to provide advisory support in the form of recommendations to the Prime Minister, his deputies and the presidential administration. Local executive bodies are called *akimats* and operate at the *oblast*, city, *raion* and rural levels.

The government is a collegial body accountable to the President and, in cases stipulated by the Constitution, to the parliament. Following the recent 2014 reorganisation, there are currently 2 deputy prime ministers and 12 ministers. The activity of the government is directed by the Prime Minister, who is the political head of state. The Prime Minister supervises the work of the government, chairs government sessions, signs legislation adopted by the government, holds ministers to account and proposes to the President any changes in the composition of the government. The President appoints and may dismiss the Prime Minister (on the approval of parliament), whose role is primarily seen as executing rather than formulating public policies.

The Prime Minister's Chancellery plays a co-ordination role across the government, in parallel with the Presidency, which tends to undertake direct monitoring of the implementation of presidential priorities by ministries.

While the powers of the parliament (Senate and Majilis*) have been recently extended, implementing practical oversight tools would be beneficial to strengthen accountabilities of the executive*

The parliament of Kazakhstan is the highest representative body of the republic performing legislative functions (Constitution, 1995). Kazakhstan's political system is a hybrid of Soviet-era institutions and practices with an elected parliament dominated by a single party (Nur-Otan). The parliament is comprised of the Senate (the upper house) and the *Majilis* (the lower house).

The amendments to the Constitution also increased the number of parliamentarians by 38 to 154 (with 107 *Majilis* deputies and 47 senators). The Senate is composed of deputies elected for six years from each *oblast*, major city and the capital at a joint session of the deputies of all representative bodies of the respective *oblast*, major city or the capital. Fifteen deputies of the Senate are appointed by the President for the term of the Senate. The elections of the deputies of the Senate are carried out on the basis of indirect electoral right under secret ballot. Elections of 98 deputies of *Majilis* are carried out on the basis of the universal, equal and direct right under secret ballot. Nine deputies of *Majilis* are elected by Assembly of the people of Kazakhstan.

The *Majilis* and Senate are divided into several committees devoted to agrarian questions; legal and judicial reforms; international affairs, defence and security; social and cultural development; ecology and the environment; finance and budgetary issues;

and economic reforms and regional development. Each deputy serves on multiple committees. The committees meet regularly during the course of a parliamentary schedule, with membership determined internally by the party.

The constitutional reform strengthened the power of the Kazakh parliament. For example, the role of the Senate has also increased by granting it the right to engage in the appointment of the chair of the National Bank. The oversight powers of parliament were strengthened to include, the approval of the appointment of a Prime Minister proposed by the President and the government and give the government a vote of no-confidence. In addition, the head of government will represent the party of the parliamentary majority. Finally, the reform introduced a requirement to form two-thirds of the Constitutional Council, the Central Election Commission and Auditing Committee by the parliament.

Looking ahead, it would still be important to establish more concrete mechanisms to hold the executive to account in practice. These may include parliamentary approval of the strategic plans and annual performance report of the government, which would enable practical accountability of the executive for results and value for money for Kazakhstan's citizens.

Although the voice of political parties was strengthened through the 2007 constitutional reform, opposition remains limited and uneven

Although there are over ten parties in Kazakhstan, the ruling Nur-Otan party is the leading party in parliament (98 party list seats out of 154) and in the public debate. Nur-Otan formally came into being in 2006 as a result of the merging of two other pro-presidential parties that had competed separately during the 2004 parliamentary elections, the Civic Party (*Grazhdanskaya Partiya*) and Asar (led by the President's daughter, Dariga Nazarbayeva) with the Otan party, which had won 4 party list seats (and 24 overall) in the 1999 elections to the *Majilis*. As they had few ideological differences, the parties united in their support for the President and the chance to compete as a "super party" in subsequent elections (Bowyer, 2008).

Kazakhstan's Law on Political Parties prohibits parties based on ethnic origin, religion or gender. A 2002 law raised from 3 000 to 50 000 the minimal number of members that a party must have in order to register with the Ministry of Justice, divided up proportionally by *oblast* with no fewer than 700 members in each of the 14 *oblasts* and 2 major cities. In order to gain seats in the parliament, a party must attain no less than 7% of all votes cast, a high percentage retained from the previous mixed-system parliamentary elections.

Overall, according to international observers, since the beginning of the 1990s, Kazakhstan's political parties tend to have a short lifespan, mainly as a consequence of a strong governmental power. The political opposition in Kazakhstan also tends to be limited and uneven, with no single party strong enough in terms of popularity, influence, outreach, financial resources or stature to be considered an effective counterweight to official power in the country (Bowyer, 2008). However, while the opposition has faced difficulties due to internal dissensions, it has also demonstrated resilience. The powers of political parties were also strengthened by the constitutional reform by depriving members of the *Majilis* of their mandate in the event of expulsion from their party. Political parties may also be partially funded from the state budget. Strengthening civil society organisations can support the creation of greater political competition and provision of important checks and balances to the state power.

Public trust in justice institutions remains low

According to the Constitution, judicial power is exercised through the civil, criminal and other forms of judicial procedure. The courts include the Supreme Court, local and other courts. The Supreme Court is the highest judicial body for civil, criminal and other cases that are under the jurisdiction of local and other courts, it supervises their activities and provides interpretation on issues of judicial practice. The Chairman and judges of the Supreme Court are elected by the Senate at the proposal of the President and based on the recommendation of the Supreme Judicial Council of Kazakhstan. The Chair and judges of local and other courts are appointed by the President upon the recommendation of the Supreme Judicial Council.

The President appoints judges to the Supreme Court and local courts, as well as members of the Supreme Judicial Council. Although Kazakhstan's Constitution recognises the separation of powers and safeguards the independence of the judiciary, independent assessments often raise concerns about independence of the judiciary, which seem to have increased following the 2007-08 constitutional amendments (Dave, 2013; World Bank, 2013a; Bertelsmann Foundation, 2012; Freedom House, 2012; Global Integrity, 2010).

Public trust in the professionalism and effectiveness of the judicial system also remains low. According to a public opinion survey by the Association of Sociologists and Political Scientists (Freedom House, 2010), bribe acceptance was most widespread among judges, with an average bribe costing over USD 2 000, the highest figure compared with other public institutions. In a similar vein, a 2012 Freedom House report states that corruption is evident throughout the entire judicial system. Thus, Kazakhstan's citizens generally hold no expectations that justice will be dispensed impartially in either civil or criminal proceedings.

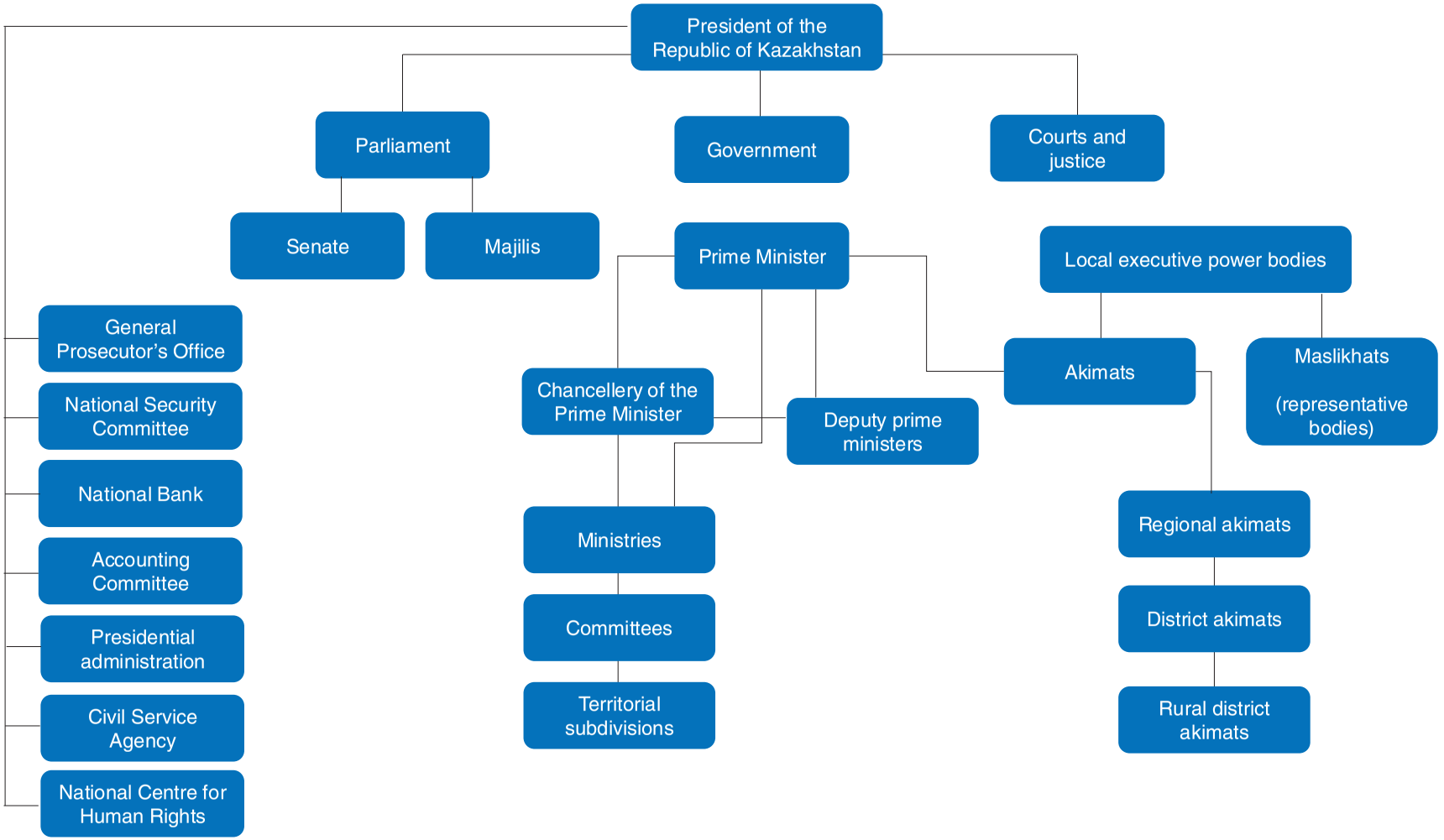
According to a 2009 World Bank and IFC Enterprise Survey, less than half of the surveyed companies believe that the court system is fair, impartial and uncorrupted. Also companies surveyed in the World Economic Forum's *Global Competitiveness Report 2011-2012* indicate that courts are subject to political influences by members of government, citizens and companies. According to the EBRD and World Bank Business Environment and Enterprise Performance Survey (BEEPS) Kazakhstan 2008, it is not uncommon for companies operating in Kazakhstan to pay bribes in their dealings with the courts, and under half of the companies identify the functioning of the courts as a major business constraint. Similarly, in the 2011 US Department of State report, integrity breaches within the Kazakhstan's judiciary is evident at every stage of the judicial process.

Strong centralisation resulted in weakened capacities at the local level, but important decentralisation reforms are underway

Territorially, Kazakhstan is divided into 14 regions (*oblasts*) and 2 cities with special status (the former capital, Almaty, and the current capital, Astana), led by an *akim* (mayor). These are direct representatives of the central government at the regional and local levels. *Akims* of the *oblasts* and cities with special status are appointed by the President upon nomination by the Prime Minister. The *akim* is responsible for the region's socio-economic development following priorities set by the central government. Ministries and central agencies have regional offices (territorial divisions). For example, the Civil Service and Anti-Corruption Agency has 16 regional branches covering the whole country.

Strong centralisation resulted in weakened administrative capacity of local government bodies in Kazakhstan. The Law on Local Government (January 2001) stipulates the general division of powers between central and local governments; however, its implementation has been uneven for several reasons, including the unclear role and authorities of *maslikhats*; limited differences in functions of the *oblast*, *raion* and *aul* (village) *maslikhats*; and an unclear role of citizens in the decision-making process. This puts *maslikhats* in weaker positions compared to the local executive bodies that receive local budgets.

Figure 1.6. **Structure of government in Kazakhstan**



Currently, Kazakhstan puts a strong emphasis on regional development issues and decentralisation to empower regions. For example, the former Ministry for Regional Development co-ordinated inter-governmental policy strategies aimed at regional development, such as state programmes on "Development of the Regions", "Development of Monotowns for 2012-2020", "Business Road Map-2020", "Affordable Housing-2020", "Modernisation of Housing-Communal Services for 2011-2020", "Employment-2020", etc. The Strategy Kazakhstan-2050 emphasises the need for the decentralisation of power, and the division of responsibilities and power between the Centre of Government (CoG) and the regions. The new Concept for Development of Local Self-Government (2012) has introduced elections of *akims* in towns of *raion* level, rural districts and *auls* by the end of 2013 by *maslikhats* of *raions*. Local executive authorities were granted a status of the local self-governance authorities. Direct elections of local *akims* are planned during the second stage of the concept implementation, starting in 2015. The elections are part of a broader attempt to foster democratic standards. The new law delegates additional authorities to *akims* of towns which are subordinate to regional authorities, villages and rural districts to decide on sources of funding, and to approve budget plans for their incomes and expenses after co-ordinating them with the local community. Moreover, in order to bring service delivery closer to citizens, significant powers were transferred to local authorities during the first two waves of delineation of authorities between the levels of administration in 2004 and 2006 in the areas of education, healthcare, labour, environmental protection, architecture and construction, etc.

The extended powers of *akims* and local leaders will be balanced by increased accountability, including a new rating system which evaluates towns and regions across 45 indicators. Low ratings over an extended period have already led to the dismissal of 12 mayors during 2011-12 and six mayors in 2013. The ratings are not yet made publicly available, yet the government plans to do so, as well as involve civil society experts and international experts in performance evaluation.[13] Effective implementation of decentralisation reform will allow for an improvement in the quality of life of citizens and more efficient and effective public spending.

While significant capacity gaps remain, Kazakhstan is actively investing in the future civil service

As of April 2013, Kazakhstan's public sector employed 97 609 civil servants, including 441 political appointees and 97 168 administrative civil servants. The central state bodies included over 60% of civil servants, of which about 16% civil servants were in the central offices and the rest in the regional offices. The average age of political appointees is 48 and that of administrative officials 39. The civil service in Kazakhstan is relatively young: 23.6% of civil servants are under 30, 31% are 30-40, 22.6% are 40-50 and 22.9% are over 50 (Civil Service and Anti-Corruption Agency, 2012).

The average civil service experience is 10.6 years, with about 3 years in the same position, both for political and administrative positions. Over 87% of civil servants have a higher education, mostly in economic, legal, technical and educational areas. Many have graduated from the Public Administration Academy under the President and the Presidential Scholarship Programme "Bolashak". The majority of civil servants are selected by a National Committee reporting to the President. According to the data provided by the Civil Service and Anti-Corruption Agency, the internal turnover rate has decreased, from 9.2% to 3.3%, with the rate of employees leaving the public service at 2.1%. The main reasons for leaving range from finding better paid jobs in state-owned enterprises and the private sector, reorganisation and workforce reduction.

Kazakhstan has already been advancing public sector reforms

… in the area of anti-corruption

According to international assessments, corruption remains a major challenge in Kazakhstan. Thus Transparency International ranked Kazakhstan 144th out of 177 in 2013,[14] which marks a deterioration from 2009 when the country's rating was 120th out of 180.[15] Corruption is reported to be the highest in the judiciary, police, customs, the sphere of property rights, land registration and within construction projects (US Department of State, 2013). The volume of corruption at the administrative level reportedly accounts for 7% of Kazakhstan's budget (*ibid*).

Authorities recognise the challenge and report taking steps to develop measures for reducing the level of corruption in the public sector. Some of the key recent measures in this regard reported by government officials include:

- Adding an explicit responsibility to eliminate corruption to the mandate of the Civil Service Agency by transferring to it functions from the former Agency for Fighting Economic and Corruption Crimes (financial police), thus creating a Civil Service and Anti-Corruption Agency during the latest 2014 reorganisation of the government.
- Adopting a new Strategic Anti-Corruption Plan 2010-2014, which aims at reducing corruption at all levels in Kazakhstan.
- Initiating a new Sectorial Anti-Corruption Program 2011-15 to improve anti-corruption legislation, reduce the time and financial resources required to open and register a business in Kazakhstan, and qualify for membership in Group of States against Corruption (GRECO).
- Improving the conditions for developing transparent relations between companies and the government. Public officials are trained in anti-corruption, and a code of ethics exists for public officials. Furthermore, an anti-corruption policy involving a 15% salary increase for public servants was adopted by the Kazakhstan's government in early 2009.
- Holding competitive examinations for lower and middle-ranking officials, who have more frequent contact with companies, in order to encourage transparency, increasing wages and improved work conditions in the public service.
- Dismissing civil servants, and, in some instances, convicting for cases of corruption, including at the regional level (in particular within the oil-rich area of Atyrau and Mangistau), although there are some concerns that these measures are often applied for political reasons.[16]
- Strenghtening punishments for corruption crimes and extending the definition of "government official" to managers of companies in which the government holds more than a 35% stake under the Law on the Fight against Corruption in December 2009.
- Reaffirming whistleblower protection and introducing punishment of state officials who fail to report corruption cases through the 2009 President's anti-corruption decree. Whistleblowers can access the Agency of the Republic of Kazakhstan on Fighting with Economic and Corruption Crimes hotline to

anonymously report acts of corruption. However, in practice, whistleblowing is considered taboo and a breach of corporate loyalty (Global Integrity, 2010).

In addition, civil society is also active in efforts to reduce corruption. For example, in April 2014, Transparency International Kazakhstan opened the Anti-Corruption School for students, civil society representatives, journalists and all citizens who wish to learn how to counteract corruption in daily life.[17]

In order to curb corruption in Kazakhstan, however, it will be critical to develop a comprehensive, consistent and politically neutral response, which would range from addressing key corruption risk areas and strengthening judicial independence and government accountability to facilitating the development of viable media and a vibrant civil society and creating low tolerance for corruption in the society.

Moreover, the country's low rating in international corruption indexes may also reflect limited opportunities for scrutiny over the executive. This could be addressed by further strengthening external accountability institutions such as the Accounts Committee, ombudsmen and parliamentary oversight bodies. Areas such as judicial integrity and independence may also support the country's competitiveness aspirations in the future. More coherent work on reforms of external and internal audits and on performance and results monitoring could be beneficial. Strengthening inter-governmental co-operation, as well as co-operation between central and local governments, could lead to a better coherence of national policies and more synergy in the implementation of reforms. The interaction of civil society and political parties can benefit from clearly defined rules and responsibilities.

…in the civil service

The development of the public administration system in Kazakhstan can be roughly divided into three stages:

- First stage (1997-2000): creating a civil service system and a transition to the new budget system;
- Second stage (2000-05): improving public services and decentralisation – early steps; and
- Third stage (2006-14): modernising public services, the civil service, the effectiveness of the government organisation and reducing administrative barriers.

During the first stage, Kazakhstan introduced a strategy for comprehensive administrative reform for development "Kazakhstan-2030: Prosperity, security and improved living standards for all Kazakhs". The strategy had the following objectives:

- increasing the effectiveness of the government collectively and individually through the role of each minister;
- implementing modern information technology and reducing bureaucracy in government;
- creating an effective and optimal structure of government organisations; and
- restricting state interventions in the economy.

This stage saw the adoption of the "Decree on Civil Service Law" and the establishment of the Civil Service and Anti-Corruption Agency in 1998, with the objective to oversee the implementation of a unified civil service policy. The 1999 Law

on Civil Service established a gradation of administrative positions, including a division into political appointees and professional positions. It established recruitment and promotion criteria, principles of subordination and appointment, and the legal rights of career bureaucrats *vis-à-vis* their political superiors and the public. The Civil Service and Anti-Corruption Agency was created to manage the implementation of the Civil Service Law (United Nations Department of Economic and Social Affairs, 2004). Finally, the 1998 Law on Fighting Corruption established anti-corruption mechanisms within state agencies, defined corruption liabilities for state officers, disciplinary measures to apply in cases of corruption, as well as whistleblower protection mechanisms.

The second stage (2000-05) introduced competitive examinations for civil service appointments, a Code of Ethics, stricter penalties for corruption and performance standards for public services.[18] Performance measurement was a central element of the reform strategy aimed at improving the quality of public service. This phase saw the introduction of standards for public services and procedures (public service charters) for all government organisations, as well as one-stop shops and an e-government system (United Nations Department of Economic and Social Affairs, 2004).[19] A legislative framework was established to achieve these goals through amendments to the existing Law on "Administrative Procedure".

During the third stage (2006-14), the government introduced reforms aimed at modernising and professionalising the civil service through the introduction of performance standards for public services in all central and local government bodies, as well as public organisations like hospitals, the police, schools, etc. The 2011 Concept of the New Model of Civil Service in Kazakhstan, with the subsequent Law on Civil Service aimed to modernise civil service to make it more professions- and citizen-centred by:

1. strengthening meritocracy;
2. creating a managerial corps (Corps A) and Corps B for professional public servants;
3. strengthening integrity and reducing corruption by introducing a code of conduct, standards of ethics and other measures;
4. improving the mechanisms of HR management; and
5. increasing the status of HR services.

Key legislation includes the Law on Civil Service, the Law on the Fight against Corruption and the Law on Conflict of Interest. Written tests for civil service appointments have been computerised to minimise manipulation, interview processes and procedures have been tightened, and committees are used to ensure that the selection of candidates is objective. All of this has diminished the role of patronage, though it continues to exist. Civil servants with financial assets need to place them in trusts when taking office.

Following Strategy Kazakhstan-2050, Kazakhstan created the National Personnel Policy Commission to regulate public sector recruitment, career development and performance. The introduction of Corps A aims to professionalise civil service management and includes executive secretaries and heads of administrations of regional authorities, chairmen of committees, governors of regions and towns. Kazakhstan is also reducing its number of political appointees by 80% from 3 271 to 400 to encourage transparent, merit-based selection and to reduce potential political influence peddling in the civil service.

Authorities also introduced measures to integrate services into one-stop shops and advance e-government, which are co-ordinated by the Ministry for Transport and Communication. There are over 300 one-stop shops across the country, which deliver around 100 services on behalf of different government bodies at the central and local level. The types of services range from legal registration of property, issuance of a passport/driving license, birth/death/marriage/divorce certificates, registration for public child care, application for social benefits, business registration, etc. "Mobile" one-stop shops travel by special car (with access to the Internet and an electronic database) to remote rural regions in order to improve access to public services for their population.

On e-government implementation, over the last decade, Kazakhstan has made an important step forward, improving its position in the world rating by eight positions compared to 2010 (from 46th to 38th place out of 192) and by 43 positions compared to 2008 (from 81st position) (United Nations, 2012). The e-government portal (www.egov.kz) was introduced in 2006 as a government gateway to provide informational, interactive and transactional public services structured around key topics such as health, education, employment, culture, sport or tourism. The number of Internet users in Kazakhstan has increased up to 34 users per 100 inhabitants, thus, exceeding the government's ambitions to reach 20% of computer literate population among whom 20% should be Internet users. Although Kazakhstan still has a low score in terms of main fixed phone lines (25.03 per 100 inhabitants), the number of mobile phone users (123.35 per 100 inhabitants) covers the entire population. In terms of the e-participation index, Kazakhstan shares 2nd place with Singapore (rapidly climbing from the 98th position in 2008 and 18th in 2010).

In addition, Kazakhstan has introduced measures to improve the organisation and functioning of the administration through the adoption of the 2000 Law No. 107 "on Administrative Procedures" which introduced functional reviews to review the allocation of functions in legislation. Currently, the government of Kazakhstan is developing a new concept of administrative reforms on "Modernisation of Public Administration by 2020", which aims to introduce corporate governance principles into the public administration and promotes greater clarity in the delineation of mandates of government stakeholders and state authorities. It also outlines the need for clarifying the competencies between national and local levels of the public administration. These represent important steps in strengthening the efficiency of the public administration in Kazakhstan and provide an important foundation for further improvements.

To implement its national agenda, Kazakhstan would benefit from a whole-of-government approach to governance reforms

The legacy of the turbulent reforms in the 1990s – including large-scale privatisation and an exodus of qualified personnel from the public service and the country, which still limits the state capacities in Kazakhstan – has become one of its biggest disadvantages in advancing its long-term ambitious vision in an effective and sustainable manner.

Kazakhstan's long-term development strategy plans such as Strategy Kazakhstan-2050, 2030 and 2020 entail significant reforms in almost all sectors of society and aim to strengthen the country's competitiveness, productivity and economic diversification. Their success will depend on measures to strengthen governance (especially in the judicial sector, civil service and local governments), improve human capital through education and pension system reforms, raise the quality of public services – housing, labour force training – and stimulate growth in the regions through diversification and promotion of small and medium enterprises. Fighting corruption and

strengthening the legal protection of businesses, including whistleblower protection, are areas which require more focused attention. Public sector efficiency must also be addressed. Strengthening government accountability, the rule of law and judicial independence, reducing bureaucracy, enhancing the autonomy and the capacity of central ministries and local governments, and tackling corruption more effectively will also have positive effects for business and citizens' confidence in Kazakhstan and help boost foreign and domestic investments and development. The consistency of government actions in providing better access to higher quality public services (e.g. health, education) across levels of government can become a key factor in building trust in the institutions of the government. In the context of Kazakhstan, with its vast territory, low population density and remote regions, this is particularly important in order to ensure the provision of basic services for different target groups using multiple channels of face-to-face and technology-based service delivery methods.

Moreover, the government's ability to set, co-ordinate, implement and monitor the performance of these strategies is key to ensuring the achievement of these policy objectives. The challenges are complex; they require a multi-sector, coherent approach to policy design and implementation, which can best be achieved through strong co-ordination by fit-for-purpose centre-of-government institutions that have the capacity and the legitimacy to mobilise actors across government at the national and sub-national levels, and in civil society. While the current reforms support ongoing improvements in public administration in Kazakhstan, effective implementation of the national agenda and building a world-class governance system requires a whole-of-government and comprehensive approach to governance reforms. Effective implementation of this approach will depend on a culture change toward a citizen-centred civil service, which provides value for money in achieving maximum benefits and tangible results.

To this end, this *Review of the Central Administration of Kazakhstan* aims to assess the functioning, structure and organisation of the CoG and several line ministries and their impact on their capacities to implement national objectives and priorities. It also focuses on tools, strategic management and accountability frameworks in the government of Kazakhstan, in line with the strategic management principles outlined in the General Approaches to Modernization of Public Administration of Kazakhstan by 2020. The review was guided by a number of broad questions, which are important to keep in mind in modernising public administration:

- Do Kazakhstan's central agencies and operating ministries have the appropriate structures, functions and capacities to effectively carry out and achieve the government's plans and objectives?
- Do the relationships among the central agencies and between the central agencies and ministries effectively promote the achievement of the government's plans and objectives?
- Do the organisations of government work collaboratively together to implement a "whole-of-government" approach to the development and implementation of laws, policies, programmes, regulations and service delivery?

This report consists of five chapters, including this introduction, which considers the key contextual factors affecting public governance reforms in Kazakhstan. Chapter 2 in turn focuses on assessing the strategic role and capability of the CoG in Kazakhstan while Chapter 3 provides an analysis of its functions. Next, Chapter 4 analyses the strategic management and accountability arrangements in the government of Kazakhstan.

Chapter 5 provides an overview of the general organisation of ministries in the government of Kazakhstan, with specific examples of assessments of pilot ministries (Ministries of Agriculture, Environment and Water Resources, Industry and New Technologies, and Education and Science) found in Annexes E, F, G and H. This review is mainly based on the data and information received from Kazakhstan's authorities as of August 2014. It aims to take into account the latest government reorganisation (August 2014) at the level of the CoG. The changes introduced by this reorganisation at the level of four pilot ministries are outside of the scope of this review, although the review team considers the findings stemming from the ministerial assessments still relevant to the new management teams responsible for carrying forward relevant policy portfolios.

This review serves only as a first step in supporting Kazakhstan's objective of developing a world-class administration and governance system, on par with those in OECD countries. Achieving this objective will require a whole-of-government approach, possibly through a strategic public governance partnership with the OECD, and modernising different elements of governance reform, including public service delivery, the policy-making process and effective multi-level governance in support of the decentralisation reforms in Kazakhstan.

Notes

1. The ten biggest groups are the following joint stock companies: KazMunayGaz, Kharrikeyn (Hurricane) Kukmol' Munay, Shymkentnefteorgsintez, KEGOK, Temirtau Mitall Stil, Korporaciya Kazakhmys, Kaztsink, Alyuminiy Kazakhstan, KazKhrom, Ust'Kamenogorskiy titano-magnievnyy kombinat, Eurasian Natural Resources Corporation (ENRC). Source: Jürgen Wandel (2009), Kazakhstan: Economic Transformation and Autocratic Power, prepared for Agency of Social Technologies "Epicenter"– Eurasian Center for Political Research.

2. Kazakhstan has, for example, gradually slipped down the Transparency International Corruption Perceptions Index, ranking 100th out of 133 countries in 2003 (Transparency International, 2004).

3. Also see: www.europarl.europa.eu/regdata/etudes/briefing_note/join/2013/522303/expo-inta_sp(2013)522303_en.pdf.

4. Official website of the President of Kazakhstan, www.akorda.kz/en/page/page_poslanie-prezidenta-respubliki-kazakhstan-lidera-natsii-nursultana-nazarbaeva-narodu-kazakhstana.

5. According to the 2014 World Bank Doing Business report, it takes 1.5 years to resolve insolvency.

6. Across the OECD, the average household net-adjusted disposable income per capita is USD 23 938 a year; the average household net financial wealth per capita is estimated at USD 42 903. *Source:* Better Life Index 2014 (data from 2011 or latest available); gross national income per capita (USD, current prices, PPP): OECD 34 729 (2010 data; OECD, 2014).

7. *Oblast* in Russian refers to administrative division of the country in some former Soviet States, being the region or department its translation in English.

8. World Bank, Labour Force Participation Rate: http://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS.

9. The International Labour Organization's Key Indicators of the Labour Market (KILM) offer a break-down of labour force participation by age: www.ilo.org/empelm/what/WCMS_114240/lang--en/index.htm.

10. A Ministry of the Interior report indicating that at least 52% of Kazakh women had been a victim of domestic abuse; for more information see: www.state.gov/j/drl/rls/hrrpt/2004/41689.htm.

11. www.minorityrights.org/2359/kazakhstan/kazakhstan-overview.html.

12. See also: www.washingtonpost.com/wp-srv/inatl/longterm/worldref/country/kazakhst.htm.

13. Centre for Performance Assessment under the Ministry for Economy and Budget Planning.

14. www.transparency.org/country#KAZ

15. www.neweurasia.info/en/index.php/corruption1/216-kazakhstan-climbs-25-points-to-rank-120th-in-corruption-perception-index-transparency-international.

16. Further information on anti-corruption measures in Kazakhstan are available on the Global Advice Network: www.business-anti-corruption.com/country-profiles/europe-central-asia/kazakhstan/initiatives/public-anti-corruption-initiatives.aspx.

17. www.transparency.org/news/pressrelease/anti_corruption_school_opens_its_doors_in_almaty_kazakhstan.

18. For more information, see World Bank (2005).

19. Further information available from World Bank (2002). Also see OECD (2005).

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Chapter 2

Strategic role and capability of the Centre of Government in Kazakhstan

The government of Kazakhstan has embarked on an ambitious agenda aimed to strengthen the country's competitiveness, modernise the public sector and enhance performance across the public sector. This requires building a smarter and interconnected state, strategic management of public organisations, delivering results for citizens and ensuring that the distribution of public resources is aligned with national policy goals. A strategic Centre of Government that both provides effective leadership and enables sound and citizen-oriented management of public organisations will be crtical for acheiving these objectives. To this end, this chapter aims to assess the capacity of the Kazakhstan's Centre of Government, including its role, structure and capacities necessary to design and steer the government-wide implementation of the development objectives of the country. In particular, it reviews the relationship between the Centre of Government and line ministries, and highlights the necessary steps to increase ministerial autonomy and the strategic focus of the Centre of Government as a partner in performance.

Recommendations

Role of the Centre of Government

2.1. Develop a risk-based and results-oriented central monitoring and oversight system to strengthen ministerial accountability for outcomes and create a high-performance culture in ministries.

2.2. Strengthen reliance on soft levers for ensuring policy and programme implementation by the Centre of Government to promote a high level of performance and collaboration across ministries.

2.3. Clarify and strengthen accountabilities at a government-wide and ministerial levels in the Centre of Government for achieving policy, programme and management results.

2.4. Clarify competencies between the Cabinet and individual ministries, across levels of government, and between ministries and their subordinate organisations, in line with the General Approaches of Modernisation of Public Administration by 2020 (also see Chapter 5).

2.5. Strengthen the strategic capacity of the Centre of Government, including at the level of people, technological and organisational capacity.

Structure of the Centre of Government

2.6. Establish an integrated Centre of Government through developing a joint approach to delivering central agencies' functions.

2.7. Empower the Chancellery to manage cross-ministerial issues and serve as the main co-ordinator for the implementation of both the presidential and governmental agendas.

2.8. Expand the challenge function of the Chancellery to assess the overall value of proposals for new policies and programmes for the government as a whole, in addition to the examination of its legal aspects, implementation plan and consistency with the established governmental agenda.

Government-wide policy-making framework

2.9. Strengthen the role of the government (Cabinet of Ministers) as a platform for policy debate and a supreme collective decision-making body in the executive.

2.10. Review administrative regulations emanating from the Centre of Government and review the competencies and authorities of the government, ministries, subordinate organisations and sub-national levels of government. Strengthen provisions of the Law on Administrative Procedure in Kazakhstan and their implications.

2.11. Strengthen inter-ministerial and central agency co-ordination by encouraging working level contacts among ministries in the areas related to common objectives and among central agencies, including the Chancellery and the Presidency (also see Recommendation 5.6).

2.12. Solidify mechanisms for horizontal collaboration among ministries, including through the creation of ministerial posts for cross-cutting issues, strengthening accountability frameworks for horizontal activities, developing rotational programmes for government managers and policy communities.

Introduction

The government of Kazakhstan has embarked on an ambitious agenda aimed at strengthening the country's competitiveness, modernising the public sector and strengthening performance across the public sector. This requires building a smarter and interconnected state, strategic management of public organisations, delivering results for citizens and ensuring that the distribution of public resources is aligned with national policy goals. Achieving this objective in turn calls for a strategic Centre of Government (CoG)[1] that both provides effective leadership and enables sound and citizen-oriented management of public organisations. To this end, this chapter aims to assess the capacity of Kazakhstan's CoG, including its role, structure and capacities, while Chapter 3 will focus on the functional assessment of the CoG.

The Centre of Government in Kazakhstan

The organisation of modern governments encompasses central agencies as well as programme delivery line ministries. Central agencies reporting to the President and Prime Minister, have the responsibility to develop and draft strategic plans, laws and regulations to guide overall government activity; to manage and allocate the government's budget; to create and implement policies for the effective management of financial, human, IT and other resources; and to hold operational departments accountable for intended policy, programme and service results, as well as for good departmental management. Central agencies are also required to ensure co-ordination among operational departments to ensure that cross-cutting government objectives, policies and programmes are achieved in an integrated "whole-of-government" way. The responsibility of line ministries is to manage the government's mandated policies, programmes and regulations as efficiently and effectively as possible and consistent with the law.

The Kazakhstan's central government is composed of ministries, agencies, state-owned corporations, commissions and other organisations.[2] In order to manage this diverse set of organisations, the administration of the President (the Presidency) and the Chancellery of the Prime Minister serve as the core central agencies in the central government of Kazakhstan.[3] Other line ministries, such as the Ministry of National Economy, the Ministry of Finance, the Ministry of Justice, the former Ministry of Transport and Communications and the former Ministry of Regional Development[4] performed some functions on a whole-of-government basis (e.g. e-government and regulatory reform), and could be categorised as central agencies in regard to those functions. These ministries have a dual role within the policy system, both as line ministries in their areas of competence and as central agencies with regard to horizontal functions (OECD, 2007). The Civil Service and Anti-Corruption Agency and the Accounts Committee serve as the oversight bodies over the executive branch reporting directly to the President. Finally, the Academy of Public Administration under the President of Kazakhstan is responsible for the training and development of public servants in Kazakhstan (see Box 2.1 and Figure 2.1).

Box 2.1. Key central agencies in Kazakhstan[1]

- The administration of the President in Kazakhstan: The President is supported by the administration, headed by the Chief of Staff, who supervises approximately 370 officials in 20 departments of the Presidency, including several teams of presidential advisors, such as aides (2) and advisors (2). Each advisor is an expert in a particular field and may be called upon to contribute to speeches, reports and legislative or policy initiatives. The President appoints the Chief of Staff as well as his/her deputies, and the heads of the main directorates and services as well as their deputies (on the advice of the Chief of Staff). The presidency includes the Centre for Strategic Studies and Analysis, which is responsible for co-ordinating the performance assessment of government organisations and strategic planning. It also serves as the Secretariat for the Inter-Ministerial Commission on Administrative Reform. The Presidency hosts secretariats for the Secretary of the Security Council, the Chair of the High Judicial Council, the Secretary of the State and the Head of the Chancellery of the President. Overall, the presidency is responsible for providing legal, analytical, organisational, information and documentation support to the President. In particular, the presidency develops and submits proposals to the President on the main directions of external, internal, military, legal and human resources management (HRM) policy. The presidency also has a role in defining the Vision 2013 and 2050 and preparing the annual speech of the President, which is the basis for all strategy documents and priorities during the year. The administration of the President ensures the exercise of the presidential functions with respect to the parliament, government and central executive bodies, Constitutional Council, courts and judges, Central Election Commission, local legislative and executive bodies, and public bodies reporting directly to the President.
- The Chancellery of the Prime Minister: The Chancellery is an administration of approximately 100 employees. It has five subordinate organisations.[2] It is headed by the Director, who is appointed and dismissed by the President at the proposal of the Prime Minister. It also includes secretariats for the deputy ministers, who supervise a portfolio of ministries and may be tasked with shaping and monitoring special government projects. As in several OECD countries, the Chancellery conducts many of the general functions of the Government Office and Prime Minister's office, including logistical and technical support of the government and the Prime Minister; monitoring the implementation of the main policy priorities, decisions, decrees and assignments of the government, the Prime Minister and the President; providing policy advice and preparing expert assessments of documents submitted to the government; co-ordinating responses to parliamentary inquiries and reviewing draft laws and policies prepared by executive bodies;[3] providing a liaison with and ensuring representation of the government in the Constitutional Court, Higher Court of Arbitration, Supreme Court and the *Majilis*. It is also responsible for the protection of state secrets and ensuring information security.
- The Civil Service and Anti-Corruption Agency, created in August 2014, is an independent institution reporting directly to the President. It is primarily responsible for civil service and anti-corruption issues, including the development, implementation and monitoring of the state programmes for civil service improvement and efficiency and public sector compensation. It is also being given increasing responsibilities for the assessment of and monitoring the quality of public service delivery and people management across the public service. It is also responsible for holding competitive processes and considers disciplinary cases for non-executive staff. The new 2012 Public Service Law of Kazakhstan provided the agency with greater powers on the implementation of the HRM and public service delivery reforms.[4] In August 2014, the agency acquired functions of the former Financial Police, including prevention, detection, suppression, detection and investigation of corruption.

Box 2.1. **Key central agencies in Kazakhstan** (*cont.*)

- The Ministry of National Economy is an institution with wide-ranging powers in the area of public management reporting to the Prime Minister (it was created as a result of the latest reorganisation and includes functions of the former Ministry of Economy and Budget Planning and others. See Box 2.2). To support the implementation of the high-level documents, the ministry is responsible for the development, implementation, monitoring and evaluation of the National Strategy 2020, developed in support of the Kazakhstan Vision 2030 and Vision 2050. During the *ex ante* approval of the strategy, the ministry guides the design of its content and identifies the fiscal resources required to implement it. It is also in charge of the *ex post* assessment of the implementation of the strategy and works jointly with the presidency in its stewardship role in steering the implementation of the strategic documents. The ministry thus serves as the government's technical advisor on the strategy's design, roll-out and performance assessment and engages with government organisations to co-ordinate the implementation of strategic plans in Kazakhstan. The ministry is also in charge of the development and monitoring of the government-wide initiatives to support the implementation of annual addresses of the President and a strategic planning process, including the provision of guidelines and monitoring of the strategic planning in public organisations in Kazakhstan.
- In addition, the ministry also has a wide range of responsibilities in relation to formulating policies in public governance, tax, budget and customs policy; public and publicly guaranteed debt; state investment policy; public-private partnerships; business competition protection and restriction of monopolistic activity; international economic and financial relationships; management of state assets, including improvement of the quality of corporate governance and development of the system of public governance; mobilisation and migration; and development of a "green economy". The ministry has acquired functions related to the design and implementation of the e-government policy in Kazakhstan during the latest 2014 reorganisation.
- The Ministry of Finance, reporting to the Prime Minister, prepares and oversees the implementation of the government's budget, setting the level and composition of government revenues and spending. Ministries and agencies conduct their activities within this resource framework. The ministry comprises the following institutions: Treasury Committee, Committee of Customs Control, Tax Committee, Committee of Financial Control, Committee of Work with Insolvent Debtors, Committee of State Property and Privatisation, Committee of Financial Monitoring. It is also responsible for the development and implementation of the government policy in the areas of customs affairs, management of state property and government debt, public procurement and others. It is responsible for the preparation of report to parliament on the budget implementation. It has acquired budget planning functions as a result of the latest reorganisation (see Box 2.2).
- The Ministry of Justice, reporting to the Prime Minister, is responsible for providing legal support to the government and for ensuring compliance with international standards. It interacts with other ministries and agencies to review legal drafts and determine their legal quality.

Box 2.1. **Key central agencies in Kazakhstan** (*cont.*)

- The Academy of Public Administration, reporting to the Civil Service and Anti-Corruption Agency, is responsible for the professional development and training of public servants in the government of Kazakhstan through a system of public service training and development, provision of degree programmes and public governance research.

Notes: 1. The Accounts Committee, reporting to the President. 2. Public institution "Centre for technical protection of information"; Republican State Institution "State Courier Service of the Republic of Kazakhstan"; Republican State Enterprise "Almas"; state institution "Centre for training and advanced training of specialists in the field of information security"; multi-functional scientific-analytical and educational public institution "Nazarbayev Centre". 3. Including those headed by the President and the government. 4. According to Article 5 of the Law on Public Service (amended in December 2012), the Civil Service and Anti-Corruption Agency, in co-ordination with the administration of the President of Kazakhstan, approves model regulations of the services for HRM within government agencies. In addition, the agency develops proposals to improve the quality of services provided by public authorities. Furthermore, the agency conducts assessments and monitors the quality of public service delivery within government bodies and carries out an evaluation of the effectiveness of personnel management.

Box 2.2. **The latest reorganisation of the central government in Kazakhstan, August 2014**

The Decree of the President "On the reform of public administration of Kazakhstan" of 6 August 2014 No. 875 reorganised:

- the Ministry of Finance, which acquired functions in the area of budget planning, which were transferred from the Ministry of Economy and Budget Planning;
- the Ministry of Agriculture, which acquired functions related to fisheries, water resources, forests and wildlife, which were transferred from the Ministry of Environment and Water Resources; and
- the Ministry of Internal Affairs, which acquired functions and powers of the Ministry of Emergency Situations (except for those related to industrial safety, formation and development of the state material reserve).

It also established:

- the Ministry of National Economy, which has acquired the functions from the following institutions: Ministry of Economy and Budget Planning, except the functions in the area of budget planning; Ministry of Regional Development; in the formation and development of the state material reserve – from the Ministry of Emergency Situations; Statistics Agency; Agency on Regulation of Natural Monopolies; Agency for Competition Protection (Anti-monopoly Agency); and the Agency for the Protection of Consumer Rights.
- the Ministry of Culture and Sports, which has been transferred the functions from the following institutions: Ministry of Culture; in the area of archives and documentation – from the Agency for Communication and Information; Kazakhstan Agency for Religious Affairs; and the Agency of Sport and Physical Education;
- the Ministry of Investment and Development has been transferred the functions from the following institutions:

Box 2.2. **The latest reorganisation of the central government in Kazakhstan, August 2014** (*cont.*)

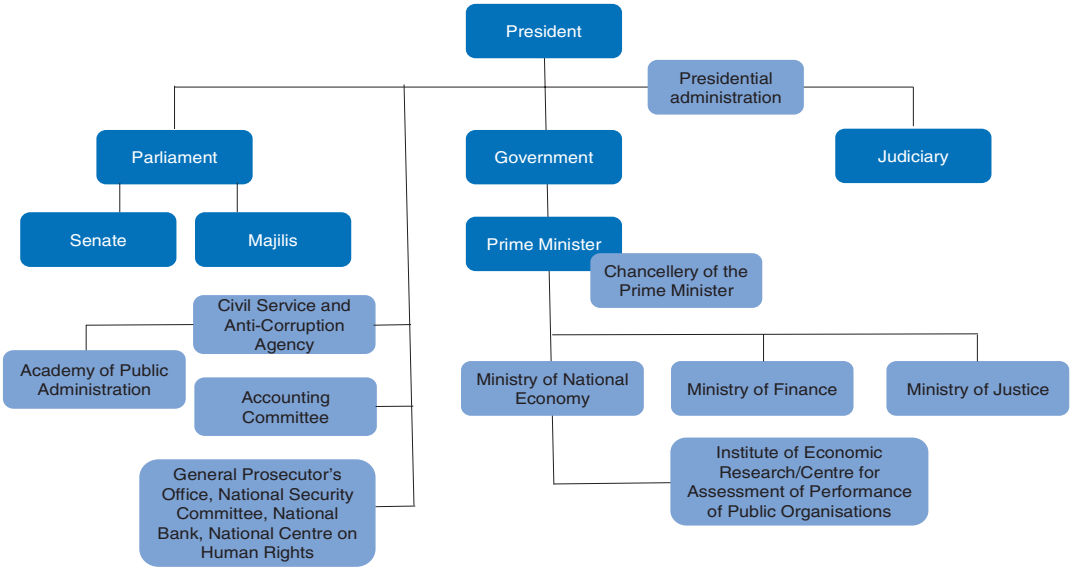
- the Ministry of Energy has been transferred the functions from the following institutions: Ministry of Oil and Gas; Ministry of Industry and New Technologies in the area of electricity and nuclear power; Ministry of Environment and Water Resources in the area of protection, control and supervision of the management of natural resources, the treatment of municipal solid waste management, renewable energy development, monitoring national development policies, the "green economy"; and
- the Ministry of Health and Social Development has been transferred the functions from the Ministry of Health and the Ministry of Labour and Social Protection.

As a result of the reorganisation, the following entities were abolished: Ministry of Economy and Budget Planning; Ministry of Regional Development; Ministry of Culture; Ministry of Industry and New Technologies; Ministry of Transport and Communications; Ministry of Oil and Gas; Ministry of Environment and Water Resources; Ministry of Emergency Situations; Ministry of Health; Ministry of Labour and Social Protection; Statistics Agency; Agency on Regulation of Natural Monopolies; Agency for Competition Protection; Agency on Protection of Consumer Rights; Kazakhstan Agency for Religious Affairs; Agency of Sport and Physical Education; National Space Agency; Agency for Communications and Information.

The decree also established the Agency for Civil Service Affairs and Anti-Corruption as a public body, directly accountable to the President and abolished: *i)* the Agency on Fighting with Economic and Corruption Crimes, with the transfer of its functions for corruption crimes and offenses to the newly formed Agency and for Economic and Financial Crimes and Offenses to the Ministry of Finance; *ii)* the Agency for Civil Service with the transfer of its functions to the newly established agency.

Source: Government of Kazakhstan.

Figure 2.1. **The Centre of Government in Kazakhstan**



Source: OECD (2014).

Currently Kazakhstan is making important and fast improvements in its system of public governance. Strategy 2030 identified the establishment of a professional and high-performing state as one of the seven priorities for country's development. The new model of public governance it proposes is based on the principles of corporate management, transparency, results orientation and accountability to citizens. Some of the main central reforms undertaken in the context of Strategy 2030 include:

- Efforts to optimise government structure through steps to reduce the number of governmental entities, clarify the status of agencies and committees in the public service, further decentralise governmental structures and provide for greater autonomy of line ministries by the President's Decree of 6 August 2014.
- Introducing systematic functional reviews of public organisations in 2011 in order to clearly define their authorities and accountabilities. The objective of functional reviews is to define the optimal level and allocation of functions of public organisations, through elimination of legal overlaps, gaps and possible duplication. To date, Kazakhstan has conducted 15 reviews.
- Strengthening the former Civil Service Agency by transferring to it anti-corruption functions formerly performed by the Financial Police – to create a new Civil Service and Anti-Corruption Agency as an independent institution reporting directly to the President. This institution will lead and oversee the professionalisation of the civil service and reduction of corruption. The introduction of a system for management of senior public servants (corps A) is also a step towards strengthening the quality of public management, including the capacities of the CoG (for more information see Chapter 5).
- Expanding the mandate of the Academy of Public Administration to serve as a knowledge and professional development hub for the civil service.
- Improving the quality of public services through standard setting and process improvement, including e-services and one-stop shops. The reforms also introduced regular monitoring of the quality of public services through the inclusion of the service quality element into the framework for assessing the effectiveness of public organisations in Kazakhstan. Most recently, in April 2013, Kazakhstan adopted the Law on Public Services, which aimed to improve public service delivery through establishing unified standards for the delivery of public services, clarifying the competencies of public organisations and introducing monitoring of quality of public services.
- Advancing results-based management through the introduction of organisational strategic and operational plans, as well a system of assessing the performance of public organisations.
- Establishing a Centre for Assessing the Effectiveness of Public Organisations as part of the Ministry of National Economy in order to improve the governance of administrative reforms and strengthen accountability for public sector reforms. The centre is responsible for compiling information on assessments of the effectiveness of ministries across a range of management areas (see Chapters 3 and 4).
- Developing a new 2013 concept for the improvement of the system of strategic planning.

- Drafting a new concept on state audit in Kazakhstan, which aims to introduce performance audits as a critical component of results-based management.
- Developing General Approaches for Modernisation of Public Administration by 2020.

These reforms show that Kazakhstan has the necessary capabilities, will and momentum for reform. Most recently, the President introduced Vision 2050 as a vision for Kazakhstan's long-term development, which aims to further strengthen the quality of public governance and to increase the accountability, efficiency and functionality of public organisations in Kazakhstan, as one of its main objectives. The role of a strategic and co-ordinated centre in achieving this and other objectives set forth by the strategy through effective leadership and steering of the public administration in implementing strategies, programmes and policies cannot be underestimated. The assessment and recommendations below aim to support the government of Kazakhstan in ensuring the necessary capabilities in central agencies, currently and in the future, to achieve its development and competitiveness needs and to deliver on its ambitious reform agenda, also in response to the evolving nature of the society and the country's level of development.[5]

Role and mandate of the Centre of Government in Kazakhstan

Towards a more strategic centre as a partner in performance

In all governments, centres of government are key players in enabling the strategic management of government organisations to ensure the achievement of government-wide objectives, including those set in national development strategies. Indeed, central agencies are uniquely positioned to ensure that the overall system is aligned with the government's goals. This is a result of their proximity to ministers as well as their ownership and operation of whole-of-government management processes. As such, there are expectations central agencies will communicate and reinforce messages about government priorities, and monitor progress against them. The configuration and capacities of the CoG are often country-specific. They are shaped by the features and characteristics of political-administrative systems, cultural tendencies and influences, as well as previous management reforms. Yet, some of the pressures faced by centres of government are common across many OECD countries and beyond. These include the need to become more efficient, more strategic and more integrated to enable the delivery of better citizen-centred services and policies across the government, broader government-wide results and value for taxpayers. Central agencies also increasingly drive efforts to strengthen government transparency, openness and integrity in response to rising citizens' expectations and demands for government accountability. To this end, centres of government across OECD countries are increasingly responsible for:

- Leading the development and implementation of the national vision and strategy effectively, efficiently and coherently across all ministries and levels of government and by mobilising citizens and non-governmental actors from across society in support of the government's vision.
- Setting of the government's performance and management agenda and overseeing its implementation across ministries and agencies.
- Promoting an integrated approach to policy making through enabling effective ministerial collaboration and generation of interdependencies across the administration.

This requires explicit integration of cross-cutting government objectives into strategic plans and the performance agreements of ministries and agencies.

- Holding ministries and agencies accountable for the delivery of results for citizens through working with ministries towards the achievement of results and, in a less prescriptive way, as partners in performance.
- Playing a role of enabler through the provision of guidance and tools to ministries to manage their organisations, develop sound policies and deliver better services, while providing them sufficient flexibility to innovate and take risks.

To deliver on these responsibilities, central agencies need effective strategic capacities and capabilities. Box 2.3 summarises lessons learnt from the experience of OECD countries, based on *OECD Public Governance Reviews.*

Box 2.3. **Strategic state: Functions and institutions**

The global crisis challenges many policy assumptions and conventional wisdom about how the global economy functions, on the influence public policy has on it as well as on the role of government. The role of the state is becoming a major political issue featured in nation-wide campaigns. Countries are confronted with interlinked policy challenges related to a hesitant recovery, high unemployment, growing inequality, high budget deficits and difficult-to-sustain public debt levels. Four years after the beginning of economic upheaval, the crisis and its consequences have become a permanent feature of the policy landscape in many countries. The challenges and constraints that it created are not likely to disappear in the near future. The economic and social policy landscape has been fundamentally altered – logically, policy assumptions should now also be reviewed.

The concept of the strategic state can be structured around at least four distinct dimensions:

1. strategic capacity to define a long-term vision that is risk-aware and linked to budget processes
2. strong institutions with leadership from the centre and good co-ordination mechanisms across departments, branches and levels
3. effective instruments and processes based on evidence, clear procedures (machinery of government) and with integrated feedback and consultation mechanisms
4. clear, measurable outcomes monitored at whole-of-government, department and programme level.

The key function of the Centre of Government (CoG) is to act as a central leadership hub in order to facilitate co-ordination, collaboration and co-operation across the public administration, with the objective of securing a strong, coherent and collective strategic vision of where the country needs to go and how it will get there. Leadership is needed to champion and promote reforms, and to generate and manage interdependencies across the administration so that collaboration is the default option, not the exception. Leadership is also needed to change the way in which the public administration conceives its role and to encourage widespread "buy-in", so that the strategic vision for the country is implemented. An effective CoG is critical for:

- Strategic vision. The CoG needs to be able to pull together long-term, big picture objectives for the economy and society. Examples might be an objective to minimise poverty and unemployment, to promote a sustainable environment or to diversify the basis of economic activity in support of growth. These objectives both shape and reflect public sector and societal values. Constitutional requirements and objectives are likely to be relevant. The vision needs to be owned and promoted by all parts of the public sector, as a "whole-of-government" vision.

Box 2.3. **Strategic state: Functions and institutions** (*cont.*)

- Accountability. The CoG is the steward of the strategic vision. It is accountable for overall results and oversight of delegated responsibilities. It is important, however, to avoid overly rigid "command and control" structures and micro management, but instead, to work toward a system where the CoG can exert effective oversight and clarify lines of accountability. Line ministries need to exercise leadership for the actions and policies for which they are responsible, within the overall framework of a shared collective commitment.
- Strategic planning, policy coherence and collective commitment. The CoG needs the capacity to give the strategic vision specific shape, to secure its coherence and to make it operational. A starting point is likely to be the government programme or equivalent, giving effect to the political manifesto of the party or parties in power. Making the strategic vision operational is key, otherwise the vision is a "dead letter". The doctrine of collective responsibility is crucial to bind line ministries as well as the CoG to a course of action. Collective commitment is also, crucially, built, developed, discussed and agreed by the whole range of actors that are engaged in public policy making, implementation and service delivery.
- Communication. The CoG needs the capacity to communicate the strategic vision, how it is being taken forward and its implementation. Transparency and openness help to promote a shared sense of purpose, for stakeholders outside as well as inside the government. Clarity of communication within the administration is important, so that, for example, local governments can understand the vision and share in its construction and so that all parts of the public sector understand their role, responsibility and accountability for results.

Institutional structures for the Centre of Government

It is rare to find just one institution covering all of these functions in OECD member countries. The CoG structures across OECD member countries vary significantly, depending on the historical development, cultural context and constitutional framework of a country. In most countries, however, they can be identified in a combination of those units of the central administration that:

- Provide direct support to the head of the government (Prime Minister/President/Chancellor's Office). In many countries, however, these offices are not equipped, and do not seek, to cover the whole of the CoG function. They need the capacity to project the authority and reputation of the Prime Minister/President "above the fray", without becoming too involved in the day-to-day management of specific policies. They may also consider their role to be more political than technocratic. They are often, however, the communication hub for government policy, and their role in managing the agenda of the Cabinet provides them with the key authority to set priorities for the attention of the Prime Minister/President.
- Manage the budget. This is normally vested in the Ministry of Finance. The budget can be viewed as the key operating system of government. It is the key economic document, which allocates a significant share of a country's gross domestic product – over half in some OECD member countries. It is the key programme policy document, where governments establish their policy priorities in concrete terms through the allocation of funding. It is the key management document, in that the basic operational aspects of government ministries and agencies are established in the context of the budget. The budget provides the basic operational architecture for the work of government.

Box 2.3. **Strategic state: Functions and institutions** (*cont.*)

- Are responsible for key horizontal policies including public administration reform and central HR policy, co-ordination of law drafting and better regulation policy, and e-government. This usually involves ministries such as the Ministry of Public Administration Reform, the Ministry of the Interior and the Ministry of Justice.

The sustainability of the CoG across political cycles is important. Centre of Government institutions are best constructed, as far as possible, to withstand the vagaries of the political cycle and to be sustainable over the time that it takes to implement long-term strategies. Stability of core functions and structures will raise confidence that the strategic vision is taken seriously and that the country will have the institutional capacity, over time, to carry out the vision.

External oversight and audit help to ensure that the strategic vision and its implementation stay on track and that the CoG – together with other actors – is accountable for progress, and can be challenged for the lack of it. In many European countries, national audit offices provide valuable independent perspectives not only on the efficiency but also the effectiveness of government policies. For the development of new laws and policies, some European countries have established external watchdogs (made up of stakeholders external to the government) to advise on, and challenge, proposals if these have not been developed with due care and attention.

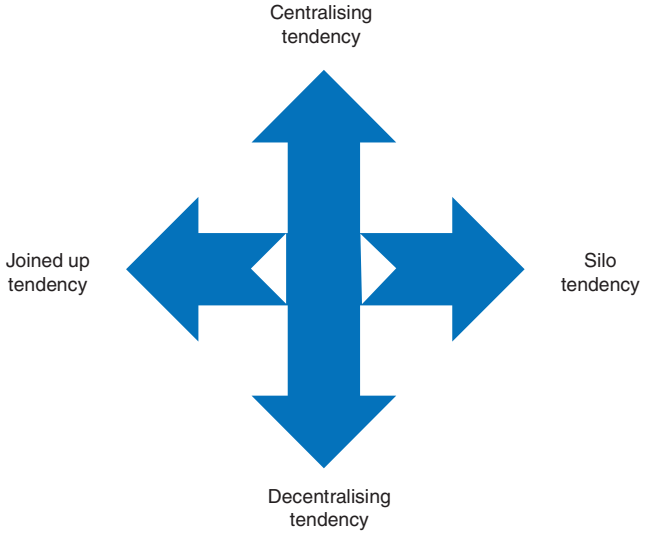
Source: OECD (2012), "Towards a Strategic State: Options for a governance contribution to the New Approach to Economic Challenges", Meeting at the OECD Council at Ministerial Level; OECD (2013), *Colombia: Implementing Good Governance*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264202177-en; OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264116573-en.

The evolving role of central agencies in OECD countries also calls for setting the tone from the top, ensuring effective and clear allocation of roles and responsibilities and appropriate capacities across central institutions, while equipping ministries with the resources and tools to meet their responsibilities. It requires establishing a balance between effective control over the spending and activities of line ministries and agencies while providing ministries sufficient flexibility and decision-making powers to ensure greater responsiveness and accountability to citizens. It also calls for examining accountability frameworks within the government and from government to parliament and citizens to ensure the achievement of government-wide results for people (see Chapter 4).

Indeed, given the different roles of central agencies and line ministries, the relationship between central agencies and operating ministries necessarily involves tensions, since operating ministries see their role as achieving ministerial objectives within their organisational skills, while central agencies see their role as promoting cross-ministerial collaboration, as well as promoting higher levels of performance by individual ministries in programme delivery and resource management, as well as holding ministries accountable for their performance. In all governments, there is also a natural tension between strong control from the centre on the one hand and the promotion of innovation and performance through a strategy of decentralisation and empowerment on the other. Other tensions may include focusing ministries' attention to providing high-quality goods and services and being responsive to citizens' and clients' needs in the short term and building capacity for scanning the horizon for emerging challenges and opportunities and supporting contestability of advice to the political level while preventing competition for ministerial endorsement or resources (New Zealand Treasury,

2006). The dialectics of some of these competing objectives and tendencies in government organisations are shown in Figure 2.2.

Figure 2.2. **The dialectics of competing government objectives and tendencies**



Within this context of competing objectives and competing bureaucratic forces, a central issue in public sector reform during the past 20 years across the OECD has been how to achieve higher levels of government performance with limited resources, and how to improve both central agency and operating ministries' capacity and performance in order to achieve that goal. Moreover, the continuing challenge is how to ensure that agencies work more collaboratively towards a common set of government plans and objectives. As noted previously, many OECD countries have undertaken organisational and management reforms (Kernaghan et al., 2000) to improve central agencies' and ministerial management and to create a more collaborative role among ministries and between the ministries and central agencies to create a more integrated, high-performing public service (Box 2.4).

Balancing ministerial empowerment and accountability with whole-of-government co-ordination mechanisms is essential in modern, high-performing governments. A 2003 OECD study concluded that:

"Perhaps most important is the problem of fragmentation. As countries decentralise their systems and delegate authority while seeking to retain an overall view of societal outcomes at a political level, the most straightforward way has been to make programme managers responsible for specific outputs. This has led to fragmentation, and the loss of focus on the big picture that fragmentation can cause. This is caused by a proliferation of agencies; a proliferation of [m]inisterial portfolio…. and in some areas, by an over-emphasis on vertical accountabilities at the expense of whole-of-government approaches." (OECD, 2003)

Box 2.4. **Shaping Up: A Whitehall for the Future**

The 2010 study of the United Kingdom's Institute for Government on the structure and operation of central agencies in the governments of Australia, Canada, Finland, France, the Netherlands and New Zealand. Based on this research, the institute recommended three major changes to the system of central agencies in the United Kingdom, as well as relationships between the central agencies and operating departments to achieve higher levels of overall government performance:

> "First, government must increase strategic capacity at the centre. Whitehall's central departments have little capacity to create and maintain a 'whole-of- government' strategy that sets out priorities for an entire parliamentary term. Second, governance within departments remains variable across the civil service. Many departmental boards have yet to develop a clear leadership and oversight role, which has invited interference from the centre. Third, mechanisms for co-ordinating policy and delivery between departments are still dominated by siloed thinking, making it difficult to manage cross-cutting policy issues. All three challenges need to be addressed together; 'total government' requires a total solution. A strategy-focused centre requires departments that are still more focused on driving up their own performance. But without effective co-ordination between departments, government will remain ill-equipped to realise the effectiveness, efficiency and innovation that can flow from 'joining up'." (Institute for Government, 2010)

The study underlined the importance of achieving both better central agency performance and better ministerial performance, as well as to achieve better co-ordination among all the players in the public service, both central and ministerial.

Source: Institute for Government (2010), *Shaping Up: A Whitehall for the Future*, London, www.instituteforgovernment.org.uk/sites/default/files/publications/Shaping%20up.pdf.

It should not be surprising then, that these same issues may occur within the public sector of the government of Kazakhstan. In fact, it would be surprising if they did not occur. In Kazakhstan, there also appears to be a tension between strong control from the centre and capacity of ministries to deliver on their mandates. As elaborated in Chapter 5, ministries are devoting a significant amount of resources and capacities to planning and reporting to multiple central agencies, as well as to implementing central top-down directives. This leaves only limited resources for developing internal capacities for policy analysis and for effective implementation of ministerial mandates.

Indeed, while currently the central agencies in Kazakhstan are effective in setting and steering the implementation of the vision, they are also involved in heavy top-down daily management, monitoring, control and oversight. Strong emphasis on central control, however, can undermine the responsibility of those in charge of policies and programmes at the ministry level and reduce the overall efficiency of an accountability regime (see Chapter 5 for a more detailed discussion).

The initial state of development of Kazakhstan and building of statehood in the past decades required a top-down approach to reforms, combined with strong control and oversight across the government. Maintaining central political control over decisions and monitoring seemed fundamental in the degree of progress that has been achieved by the country, given the scope of the challenges and required changes. Yet it also resulted in reduced responsibility and accountability of ministerial management.

Looking ahead, if a country is to implement a model of a professional and responsible public service and enable continuous improvement in the way the public service is managed and reforms are implemented, the mode of functioning of the centre will have to evolve. As the country advances on its development path, it would be important for the centre to focus on pursuing more integrated and coherent approaches to public policy and administration (i.e. identifying linkages across complex policy issues, developing frameworks and tools to better handle wicked problems, etc.). An important point is that policy, regulation and service delivery issues in government are increasingly horizontal in nature: health; environment; security; economic growth; poverty reduction, etc. and existing silo-based bureaucracies are poorly structured to deal with cross-cutting issues. Thus, central agencies must increasingly strengthen government's collaborative capacity and also adjust accountability systems to make them cross-cutting.

Currently, Kazakhstan is well placed to begin the transition to a more strategic role in the CoG. The rest of this chapter focuses on the elements necessary to achieve these objectives.

A strategic centre requires balancing ministerial empowerment with results-based oversight

OECD experience shows that a more strategic role of the central agencies and focus on results requires a greater empowerment of ministries as public organisations to take ownership of the strengths and weaknesses of their work for improvement. This requires both a greater degree of devolution and decentralisation of the management of central public organisations and local governments to increase the responsiveness and inclusiveness in service delivery and policy making. Kazakhstan is already introducing significant decentralisation of powers to the local level. At the same time, given that devolution increases discretion, central agencies will need to ensure that they have the necessary tools to enable effective vertical and horizontal accountability for results and mechanisms with a greater focus on outcomes, including for ministries within the central government (Aucoin and Heintzman, 2000). This would require finding a balance between the oversight of central agencies of other central government organisations – to ensure accountability and strategic direction, coherence and appropriate administration and financial management across the system – and ministerial empowerment – to achieve higher levels of downstream performance and find new, more effective and efficient ways to ensure accountability for performance, as the command and control systems will no longer be effective.[6] This challenge has already been acknowledged in the new General Approaches for Modernization of Public Administration by 2020.

Nonetheless, central agencies need to maintain an active role to ensure that ministries are managed well, yet by relying on both soft and hard levers to do so. While Chapter 4 discusses in greater detail the levers available to the CoG to enable strategic management, a strategic state requires a greater focus on the so-called "soft powers", including the facilitation of the exchange of good practices, research, an incentives structure, network creation and information sharing. In this context, centres of government in OECD countries often need to balance three purposes of accountability, which are sometimes in dialectic tensions with each other (Aucoin and Heintzman, 2000):

- Accountability as control – to ensure that systems of devolved authority and responsibility work well and that principles of integrity, impartiality and fairness are respected. This system of accountability involves comprehensive systems of administrative law which establish standards of behaviour for public officials,

sound administrative justice and review system and strong legislative/independent oversight. Other examples include mechanisms promoting transparency, full disclosure and risk-planning and management, including risks of violating public service principles. The role of the centre in a devolved management system is thus to conduct oversight to ensure that systems to identify and manage these risks are in place.

- Accountability as assurance – to assure citizens, elected representatives and governments that state resources and public authority are used in ways consistent with legal and policy requirements. The importance of accountability as assurance increases in the context of greater ministerial empowerment, as the centre has a role to provide the government and the President with the assurance that effective internal management systems are in place and that public organisations and individual public managers deliver results, in all of its critical dimensions (from achieving programme and policy results to ensuring respect of public service standards of integrity, openness and due process).
- Accountability as continuous improvement – to assess performance with a view of providing incentives to public managers to promote improvements in policy, organisation or management. This type of accountability requires the centre to provide ministries with a clear sense of the management expectations as well as with expertise, performance benchmarks and good practice information to promote high performance. For example, Canada's Management Accountability Framework process involves a component on exchange of best practices. Similarly, the centre could rely on a wide range of both hard and soft levers of change to promote performance and innovation such as research, awards and fostering communities of practice (see Chapter 3; Aucoin and Heintzman, 2000).

Indeed, a number of OECD countries (e.g. Canada, Poland, the United Kingdom) went through a process of rebalancing the role of the state towards becoming a more strategic state, with greater ministerial flexibility and responsibility. This involved a range of transitions that may also prove useful to the government of Kazakhstan (Table 2.1).

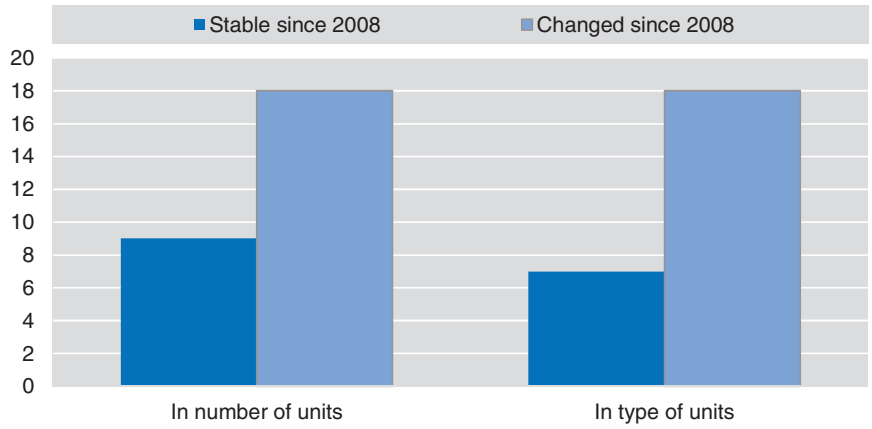
Table 2.1. **Evolving role of the Centre of Government in OECD countries**

	From	To
1	State focused on daily management of departments	Strategic state, providing leadership in strategy setting, enabling implementation and integrating
2	Compliance-oriented	Performance-oriented
3	Rules and legal instruments, other "hard" levers	Broader range of central levers, including soft powers
4	Heavy oversight and monitoring of compliance with rules and processes	Risk-based compliance monitoring, better data and performance measurement to a greater focus on outcome measures and reduced reporting requirements
5	Prescriptive approach	Departmental flexibility and innovation
6	One-size fits all policy and compliance monitoring	Broader strategic frameworks and room for unique approaches
7	Command and control	Sharing responsibility and enabling
8	Doing it all	Ensuring it gets done
9	Fragmented centre	Joined-up and co-ordinated centre
10	Top-down and technocratic	Participatory and inclusive

Source: Adapted from Kernaghan, Ken, Brian Marson and Sandford Borins (2000), *The New Public Organization*, IPAC, Toronto.

In this regard, the structure of the CoG and associated staff and budget have been changing rather significantly in OECD countries (Figures 2.3 and 2.4).

Figure 2.3. **Changes in the structure of the Centre of Government (number and type of units) since 2008 in OECD countries**

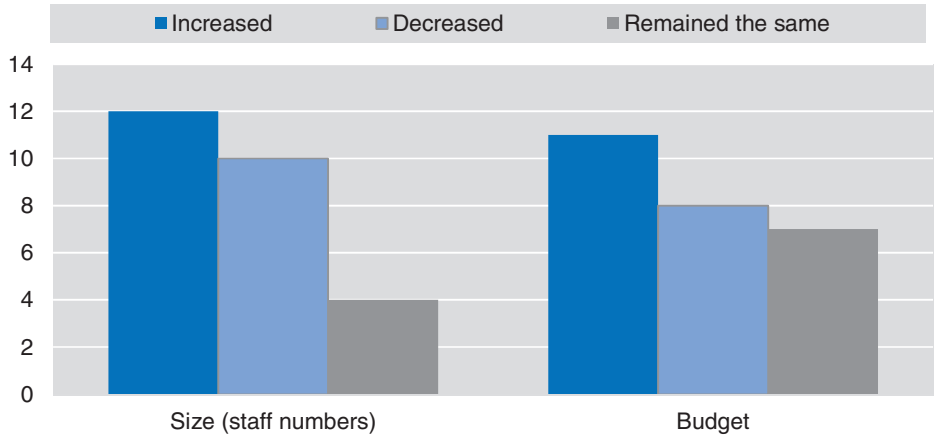


Source: OECD (2013), 2013 OECD Survey on the Organisation and Functions of the Centre of Government.

In Kazakhstan, a greater focus on ministerial empowerment in central government and accountability for results would help reduce the associated costs of centralised control and produce greater efficiencies in programme design and delivery, restore accountability and generate savings for taxpayers. Experience in OECD countries shows that government managers must be made responsible for continuous reforms and operations in their sectorial areas. In Kazakhstan, this will require delegating greater responsibility and accountability for administration of ministries and agencies and sectorial policy making to deputy ministers and executive secretaries. First and foremost, it will require strengthening ministerial capacities to deliver high-quality services and design and implement sound policies. Streamlining management policies and making it clear that management accountabilities rest with ministries while the centre would provide a results- and risk-based oversight are also critical for greater empowerment of ministries. Ministries would need to be given enhanced discretion to manage, but within a general framework of guidance and accountability established by the centre.

Yet, in parallel with providing ministries with greater autonomy, the CoG in Kazakhstan would need to maintain effective oversight, focused on results and high-risk areas, bolstered by smart information management systems and effective performance management systems. This oversight, however, must involve the necessary shift in emphasis from rules and processes to a greater reliance on strategic frameworks and results-based accountability and reporting. This would enable the centre to provide ministries with the necessary flexibility and to retain its role as the guardian of the public interest, prudent fiscal management and ensuring value for money.

Figure 2.4. **Changes in the size and budget of the Centre of Government in OECD countries, 2008-2012**



Source: 2013 OECD Survey on the Organisation and Functions of the Centre of Government.

In addition, similar to the present situation, the centre should also retain the ability to strategically choose the areas for intervention, relating to the issues warranting a whole-of-government approach or in high risk areas, areas with systemic issues or areas that would benefit from targeted efforts to increase performance (while respecting the accountability of ministers, deputy ministers and executive secretaries).

Finally, to enable a smooth transition towards greater ministerial empowerment, it would be important for the CoG in Kazakhstan to strengthen its focus on building capability across the government in Kazakhstan to ensure that the ministries have the necessary capacities to assume greater responsibilities. The CoG should play an important role in identifying capability gaps and providing the necessary support to ministries to ensure that they have the capacity to deliver on the current and future government priorities. A tool that would measure ministries' capacity to design and implement their public policies and programmes could support the transition towards greater ministerial empowerment. The criteria for measuring that capacity should be developed. Approaches of this kind have been implemented in some OECD countries, such as the capability reviews in the United Kingdom and the European Union's Common Assessment Framework (see Box 4.6). The capability reviews provide a useful example of a strategic approach to capability building, which involves a whole-of-government strategy with a number of long-term development goals for the civil service based on high-quality horizon scanning and workforce planning, and backed up by capability reviews (for more discussion see Chapter 5). Not all ministries, committees or agencies will be able to make this transition at the same time.

Clarifying competencies across government entities

Establishing a strategic CoG and greater ministerial autonomy requires greater delineation of competencies across different government entities, including the government, ministries, their subordinate organisations and sub-national levels of government. For example, as noted in the General Approaches to Modernisation of Public Administration in Kazakhstan until 2020, currently the government is adopting regulations in the areas of competence of several ministries, in relation to international agreements and in relation to management of strategic and major assets. Delegating some

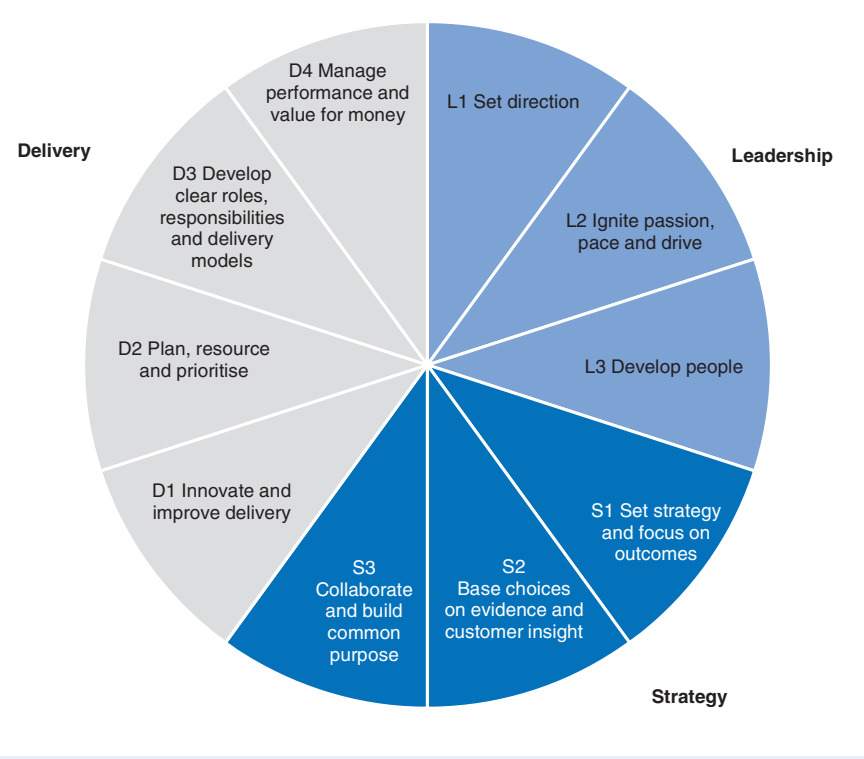
of the rule-making from the government to the ministries within their competence (e.g. approval of rules, standards and sectoral regulations) and clearly defining their authorities would allow the government to focus on major strategic policy decisions, requiring a whole-of-government approach while enabling the ministries to assume full responsibility and accountability for decisions within their area of competence.

Box 2.5. **The objectives and principles of the UK government's capability reviews**

"The purpose of departmental [c]apability [r]eviews is to use honest and robust assessments of future capabilities to identify the specific measures that are needed if central government departments are to play their part in enabling the UK to meet the considerable challenges of the future.

Over the course of the last generation there has been a transformation in the UK economy and wider society. In the era of globalisation, international trends in, for example, migration, production techniques and energy consumption have a profound effect on an outwardly facing nation like the United Kingdom. Global competition places a premium on productivity and flexibility. (…)

Just as these trends have required a major change in the behaviour of all parts of UK society – corporate, community and individual – the challenges of the future require a response from government too. If the [s]tate, through public services, is to enable the UK to thrive over the decades to come, public services and those who deliver them must also become more flexible and adaptable, more individual, more expert and more professional."



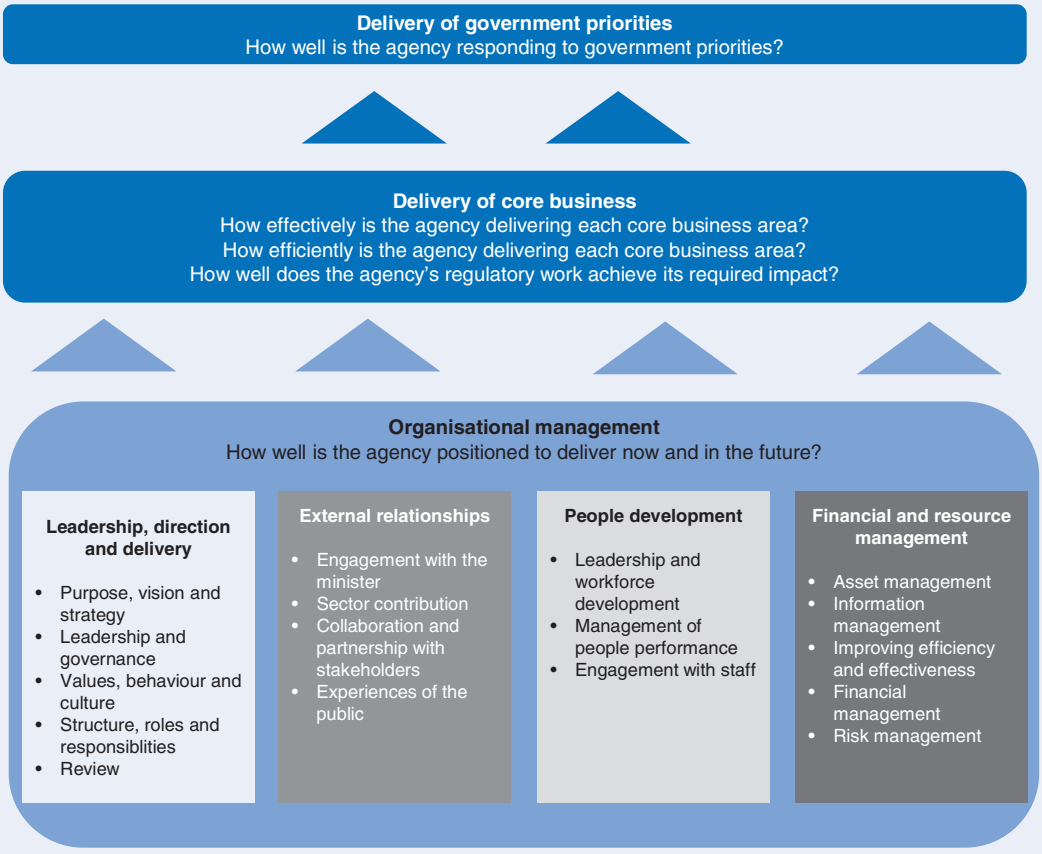
"The model of capability (…) is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery. The reviews provide an assessment of capability for departments, identify key areas for improvement and set out key actions to address these areas.

Box 2.5. The objectives and principles of the UK government's capability reviews (*cont.*)

The scope of the reviews is to assess the capability of departments' senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 49 questions." (UK Cabinet Office, 2006)

New Zealand departmental capability reviews

The New Zealand system involves an external panel that assesses the capability of departments and identifies areas for improvement as shown below (State Services Commission, 2014; YouTube, 2012). Moreover, both management capacity and programme performance are assessed.



The first 14 departmental reviews undertaken by the New Zealand government uncovered both strengths and weaknesses as outlined in the figure above, which has been published online for citizens to access.

Sources: UK Cabinet Office (2006), "Capability Review of the Department of Trade and Industry"; State Services Commission of New Zealand (2014), "Performance Improvement Framework", www.ssc.govt.nz/pif; YouTube (2012), "The Performance Improvement Framework", www.youtube.com/watch?feature=player_embedded&v=UCy5k4z2wlc.

In addition, clarifying responsibilities between ministries and their subordinate organisations would introduce greater clarity, transparency and accountability in the relationships between these entities (see Chapters 5 and 6 for more discussion).

Finally, in line with the current decentralisation efforts in Kazakhstan, it would be important to further clarify and delegate authorities and responsibilities to the local level of government. Yet, effective decentralisation requires that these efforts are accompanied by allocation of appropriate resources, so as to ensure that the level of service delivery to citizens stays at the same, if not improves.

Establishing greater clarity in the accountability chains

Delegating greater authorities to ministries while ensuring results-based accountabilities would require Kazakhstan to solidify sound management practices and further clarify and strengthen accountability throughout ministries and agencies. The experience of OECD countries shows that an effective accountability regime should include well-defined roles and responsibilities, supported by the necessary capacities, as well as a credible process of rendering an account, accompanied by the assignment of positive or negative consequences for performance.

In addition, effective accountability regimes call for both adherence to sound systems of controls and the encouragement of creativity to generate continuous improvement. For example, the Treasury Board of Canada Secretariat has developed the following criteria of good management that should underline the accountability system:

- Organisations can allocate public resources based on demonstrable performance.
- Management decisions integrate considerations of risk, stewardship of resources, people and accountability.
- Control systems emphasise responsibility of ministers and public servants. They provide flexibility to allow for innovation and creativity while identifying high-risk areas and areas that may call for a targeted intervention from the centre.
- Managers take regular steps to understand citizens' needs, have necessary competencies to meet performance expectations and are held accountable for delivering on those expectations (Treasury Board of Canada Secretariat, 2005).

The vision of good management also emphasises the importance of a sound management framework, such as the EU Common Assessment Framework, Australia, Canada, New Zealand or South Africa, for assessing the effectiveness of public organisations and the role of an integrated central direction in establishing managerial accountability and by enhancing the availability, quality and use of expenditure and performance information (see Chapter 4).

Moreover, the experience of OECD countries indicates that the establishment of clear accountabilities for management results and performance in the administrative regulations requires that government-wide management policy clearly specifies who is responsible for doing what. More specifically, these regulations should:

- clearly set out what is expected of ministers and deputy ministers to ensure that the appropriate control mechanisms are in place and monitored, provide the basis for increased use of authority, and indicate the appropriate response when cases of mismanagement are identified

- specify accountability for good management outcomes, good service and regulation outcomes, and good programme and policy outcomes
- focus reporting requirements and ensure that meaningful performance information is provided; the requirement to monitor compliance in key risk areas is strengthened and the CoG is notified in cases of mismanagement and that the corrective actions required have been taken
- support deputy ministers and managers in meeting policy requirements through an appropriate combination of tools, training and internal communications.

Kazakhstan has already established an important tool which could support the transition for greater ministerial accountability – the "Assessment of effectiveness of public organisations", which defines management expectations for ministries, establishes targets and provides the basis for monitoring reforms. This tool could provide the basis for a sound management framework in Kazakhstan's public organisations. To advance the current system and enable a full transition to the results-based accountability framework, greater scope for ministerial action and autonomy should be allowed in achieving the desired results. The centre could also play a greater role in enabling ministerial accountability and capability by highlighting good practices which could support ministries in achieving better performance in the areas under evaluation (for more information, see Chapter 4). Similar to the Canadian management accountability framework, Kazakhstan may also link the results of this assessment to individual accountability and performance evaluation of senior managers in ministries and agencies.

Recent reforms related to the delineation of authorities of executive secretaries and heads of organisations in Kazakhstan is an important step in establishing an effective accountability regime. To further support the transition towards greater ministerial accountability in Kazakhstan, overall management accountability could be strengthened if administrative responsibilities were delegated with specific reference to either tasks or positions. Given that administrative policies emanate from different institutions in the CoG and have developed over time, this adds to the complexity of the administrative framework. The lack of coherence and consistency within the suite of management policies is partly a function of its evolution, but it also reflects insufficient co-ordination in the policy development process and results in overlap, duplication and sometimes contradiction between individual instruments.

Finally, greater clarity in accountability lines in Kazakhstan could be achieved at both government-wide and ministerial levels. The incentives and accountability of civil servants exist principally at the ministerial, rather than a whole-of-government, level. Ministries have a natural tendency to work in silos both in OECD countries and in Kazakhstan, competing against each other for authority and funding. To this end, at the government-wide level, Kazakhstan may consider establishing a function of a head of the public service reporting to the Prime Minister (the highest level administrative position), who would co-ordinate government operations related to whole-of-government decision making. This position would encompass a top professional public service position who could advise the Prime Minister on every issue before the government. The head of the public service would work with central agencies of Kazakhstan and the senior leadership of the public service to ensure that the public service has the policy, management and human resources capacity to design and deliver sound programmes and services to and for the people of Kazakhstan. The role of the head of the public service would involve, among others, providing support to the Prime Minister in the priority-

setting, policy development and co-ordination, ministerial mandates and government organisation, relations with the regions. S/he would also help communicate and oversee the implementation of the government direction throughout the public service. It could also serve as the guarantor of the professional public service. Such positions are found in Canada (Clerk of the Privy Council), India (Cabinet Secretary) and the United Kingdom (Permanent Secretary of the Cabinet Office).

At the ministry level, the role of executive secretaries is critical. Kazakhstan has already strengthened the role of executive secretaries through the President's Decree on the "Status and authorities of an executive secretary of the central executive body in the Republic of Kazakhstan." According to this decree, an executive secretary is responsible for:

- Ensuring the implementation of policies in their respective sectoral areas.
- Implementing ministerial assignments and orders within his/her competence.
- Managing the central management functions of the executive body, including the organisation, co-ordination and supervision of the work of its departments. This includes the organisation of informational, organisational, legal, logistical and financial support of the central executive body, its agencies, as well as local government and departments.
- Approving/changing the structure and personnel of a public authority, departments or units of local government, in consultation with the minister and within the framework of the appropriate legal basis. This also included the approval of regulations on the structural units of the executive body and its subordinate organisations.
- Supervising the activities of the structural units responsible for recruitment; financial, legal and administrative issues; documentation and information in the executive body. This also involves the implementation of the official language and public procurement regulations.

This decree provides a strong foundation for the role of executive secretaries in ensuring rigorous administration of ministries. Yet by focusing the role of the executive secretaries mainly on administrative matters, without the responsibility for the effective implementation of the ministerial policies and programmes – including service delivery – often creates a disconnect between the allocation of administrative resources, ministerial capacities and the business needs of the ministry or agency. Often departments within a ministry reporting to one vice minister do not subordinate to another vice minister within the same ministry, which may create roadblocks to the effective functioning of the ministry as a whole (e.g. ability to develop a ministry or sector-wide vision for service standards or implementation of horizontal policy, etc.). Looking ahead and to ensure effective linkages between administrative resources (e.g. human and financial) and expected outcomes of government policy, as well as the government's ability to respond to emerging priorities in a sustainable manner, Kazakhstan may consider further strengthening the role of executive secretaries by entrusting to them overall management of the ministry and implementation of political decisions on a daily basis. This would entail adding the responsibility for the quality of delivery of government programmes, policy design and implementation and collaboration to achieve government-wide outcomes within the ministerial portfolio.

This approach would position the executive secretary as the head of the administrative apparatus of the ministry, while the minister would remain its political head. It would require establishing legal accountability of the executive secretary for the effectiveness and legality of performed functions and decisions. It would also require further clarification of the roles, responsibilities and accountabilities of the political level (i.e. ministers and vice ministers). These may include obtaining support from parliament, decisions of the government, supervising specific political directions within ministries and others.

Further strengthening the accountability of executive secretaries would also help achieve a high-performance culture across ministries, facilitating the alignment of resources to strategic priorities and enhancing employee engagement. Thus, in addition to their current responsibilities, executive secretaries could also oversee the functions of strategic planning, internal audit, evaluation of policy effectiveness, ensuring the quality of service delivery and policy making across all areas of the ministerial mandate. This would imply that such functions as internal audit and evaluation, as core mechanisms of management control, would report directly to this position to enable the executive secretary to assume overall accountability and responsibility for the management of the organisation.

Over time, in line with the current reform trends in Kazakhstan to reduce the number of political appointees and provide continuity across political cycles and support good public management of ministries, Kazakhstan may consider moving towards appointing executive secretaries from the ranks of career civil servants. Implementing this change in the role of executive secretaries would enable ministers to focus on policy and programme priorities. It would also support vice ministers in devoting greater attention to providing policy direction in the areas of their sectorial responsibilities.

To ensure a government-wide coherence in the administrative functions of executive secretaries, they could have a dual accountability and reporting: both to the minister and to the new position of the head of the public service. This would enable accountability both for individual responsibilities in managing the ministry and for the collective responsibility for sound management of the public service as a whole, as guided by the head of the public service. To promote government-wide co-ordination and to exchange views on policy issues, executive secretaries could have regular meetings with the proposed head of the public service. A similar function of state secretaries was recently introduced in France, which has established the positions of secretaries-general who are in charge of modernising ministries and support functions. One of the purposes of this reform was to clarify accountabilities for managing departments, to strengthen the horizontal nature of reforms in the ministries and to bring a more inter-ministerial approach to support functions. Similarly, the United Kingdom has established the position of an accounting officer in government departments, which has an overall responsibility both for the management of the department and for the effective delivery of government services and policy implementation (Box 2.6).

The performance framework would also need to be strengthened to assess individual and collective performance against the specific roles and responsibilities. This could involve greater reliance on a peer-oriented, cohort-wide reflection on individual and collective performance, for employees at all levels, including executive secretaries. It could facilitate government-wide stewardship responsibilities and promote the use of multiple inputs, including peer reviews and self-assessments, to evaluate results achieved (OECD, 2012c).

Box 2.6. Civil service accountability and the role of top officials in the United Kingdom and Canada

Accounting Officer in the United Kingdom

The role of accounting officer is a crucial element of the UK government. Control of the supply of money to the Crown is one of the bases of parliamentary sovereignty. Accounting for the use of that money to parliament and the public has always therefore been a central axis of government accountability, which is vested in the civil service. The accounting officer is always the most senior permanent official in a department and is personally accountable to parliament for the use of public money. He/she must ensure that spending meets the four tests of regularity, propriety, value for money, and, most recently, feasibility.

The government published its Civil Service Reform Plan in June 2012. The Reform Plan aims to develop the accounting-officer role itself, or at least strengthen its accountability to parliament, as part of a suite of reforms intended to make the civil service more clearly accountable, in addition to reforms directed at the performance and capability of the civil service.

Each organisation in central government must have an accounting officer, who must ensure that the organisation in question:

- has a governance structure which transmits, delegates, implements and enforces decisions, and has trustworthy internal controls to safeguard, channel and record resources
- works co-operatively with partners in the public interest, operates with propriety and regularity in all its transactions, and treats its customers and business counterparties fairly, honestly and with integrity
- offers appropriate redress for failure to meet agreed customer standards, and gives timely, transparent and realistic accounts of its business and decisions
- supports its ministers with clear, well-reasoned, timely and impartial advice and takes all its decisions in line with the strategy, aims and objectives of the organisation set by ministers and/or in legislation
- takes a balanced view of the organisation's approach to managing opportunity and risk
- imposes proportionate and defensible burdens on business or financial management
- uses its resources efficiently, economically and effectively, following an affordable and sustainable plan, and carries out procurement and project appraisal objectively and fairly, using cost-benefit analysis and generally seeking good value for the public sector as a whole
- uses management information systems to monitor value for money and the quality of delivery
- avoids over-defining detail and imposing undue compliance costs, either internally or externally
- has practical documented arrangements for controlling or working in partnership with other organisations
- uses internal and external audit to improve its internal controls and performance.

Box 2.6. **Civil service accountability and the role of top officials in the United Kingdom and Canada** (*cont.*)

As well as reporting to ministers, senior officials, including accounting officers, report to parliament, particularly through select committees. The Public Accounts Committee (PAC) is one of the most wide-ranging committees, appointed to examine "the accounts showing the appropriation of the sums granted to [p]arliament to meet the public expenditure". Typically, the PAC holds reviews supported by the National Audit Office, which usually involve the committee questioning senior officials, ministers and external experts.

In terms of civil service accountability, one of the major changes over the past few years has been the stronger role of departmental boards, particularly with a more formal role for external non-executive directors. A non-executive official should have experience managing large private sector organisations, delivering multi-billion pound major projects and significant public and not-for-profit sector experience.

Three areas were identified as priorities for non-executives for the financial year 2012-13:

- improving the capability of boards and departments;
- improving the management of major projects; and
- improving the quality of management information.

Non-executives have been involved in a number of cross-cutting initiatives, including the civil service reform and the Major Projects Leadership Academy.

Deputy ministers in Canada

In Canada, the deputy minister, as a senior official in a department, is responsible to the minister, the government, the central management agencies and parliament.

Minister: In a parliamentary democracy system, the departmental statutes and most of the functional statutes assign the powers to take decisions and act exclusively to ministers. They are responsible both individually and collectively to parliament, particularly the House of Commons. Deputy ministers only rarely have autonomous decision-making powers and, therefore, support and serve ministers in their responsibilities, notably by providing advice and carrying out any delegations of authority from the minister. It is the role of deputy ministers to support their ministers in the exercise of these powers. The delegation of these powers has two effects: creation of accountability to the minister and establishment of an area of administrative autonomy for the deputy minister. The deputy minister's mission is to serve the minister in a non-partisan fashion, competently, impartially, diligently and loyally. So as to optimise the management of the minister's time and to inform him in his decisions and projects, the deputy minister provides professional, non-partisan advice concerning the development and implementation of policies, prepares the tools that will enable the minister to take a discerning stand in public, and manages the compliance of the decisions he takes. On a daily basis, he ensures the sound operational management of the department. The deputy minister also acts as the senior adviser to the minister concerning all the responsibilities exercised by him.

Government, Prime Minister and Head of the public service: The deputy minister also serves the government of the day and, more particularly, the Prime Minister, who heads the Cabinet as a Committee of the Privy Council, the body that appointed the deputy minister. To do so, he provides the Prime Minister, the Head of the public service, Cabinet and its committees, with information, studies and opinions; he takes part in discussions among senior officials and carries out specific mandates assigned to him. Generally speaking, he comments on draft policies of the Council of Ministers and ensures that the agenda and priorities of the government are properly reflected in his department's action plan. He also ensures that all of his department's employees act to fulfill the objectives of the government of the day. In addition, he organises inter-ministerial consultations on any issue liable to affect the general responsibilities of the other ministers.

Box 2.6. **Civil service accountability and the role of top officials in the United Kingdom and Canada** (*cont.*)

Central management agencies: Deputy ministers receive delegated responsibilities from the heads of central agencies, such as the Minister of Finance, the President of the Treasury Board, the President of the Human Resources Management Agency, the Minister of Public Works and Government Services, etc. Legislative provisions, regulations and decisions set the delegation frameworks. Deputy ministers must carry out these delegated authorities competently and diligently, ensure that appropriate management and control systems are in place, and periodically report to their principals on their responsibility to ensure that government-wide management practices are observed in their departments.

Parliament: Since 1987, a parliamentary committee has been able to summon a deputy minister to communicate information about the management of a department and any public information that the minister cannot provide himself. Parliamentary agents conduct examinations of departmental operations and report to parliament, which assigns its committees to study the findings. Deputy ministers may thus be summoned to appear.

Source: HM Treasury (2013), *Managing Public Money*, Crown copyright, London, hwww.gov.uk/government/uploads/system/uploads/attachment_data/file/212123/Managing_Public_Money_AA_v2_-_chapters_annex_web.pdf; Institute for Government (2013), "Following the pound: The accounting officer in central government", Institute for Government, London, www.instituteforgovernment.org.uk/sites/default/files/publications/Following%20the%20pound%20-%20accounting%20officers%20in%20central%20government.pdf; www.parliament.uk; www.gov.uk; Privy Council Office (2003), Guidance for Deputy Ministers, www.pco-bcp.gc.ca/index.asp?lang=eng&page=information&sub=publications&doc=gdm-gsm/doc-eng.htm.

These arrangements could solidify the role of the centre in supporting the parliament and the President in their role of holding the government to account; supporting ministers, deputy ministers and executive secretaries in carrying out their responsibilities and improving management performance by clarifying the assignment of responsibility and accountability, particularly in areas of financial administration; and by ensuring that those who are responsible have the capacity to fulfil their duties.

Increasing the necessary capacities at the centre is crucial to delivering on national objectives

Implementing a vision of a strategic centre and delivering on ambitious national objectives requires developing necessary capacities at the centre, both at the individual and organisational levels. Indeed, individuals who have certain responsibilities must not only have the authority to carry out their responsibilities but also the capability and capacity to do so. In other words, it is essential to ensure that the officials in charge of implementing the vision of a strategic and smart centre have the necessary skills and resources to accomplish what they are being asked to do. It is also important to ensure that the officials develop skills in new management areas, such as financial management and audit, programme evaluation, procurement as the economic function, strategic human resources management – which in some cases may require establishing certification standards. In addition, developing mechanisms to ensure the tenure of senior officials is of critical importance to see major management initiatives through to conclusion.

As such, to ensure that the activities of the Kazakh public service at large and central agencies in particular are sustainable, relevant and supported by the right people in the right places, the recruitment, development and retention initiatives, as well as investments

in knowledge and adaptability, will be increasingly critical. Moreover, having the sufficient capacities to deliver on the strategic role of the centre also calls for ensuring the necessary level of staffing with the appropriate background and skills. This links to the importance of integrated planning, which enables government organisations to identify the level of staffing and skills necessary to deliver on government priorities (Chapter 5). Kazakhstan may adopt the Capability Reviews used in the United Kingdom, Australia and New Zealand to take stock of the central agencies' capacities. It might also be a way of beginning to introduce capacity reviews into the Kazakhstan's government on a broader scale.

Here the role of the Civil Service and Anti-Corruption Agency and Academy of Public Administration will be pivotal to ensure the level of competency in the public service and to make career-long learning for all employees a real possibility and help enable the government to upgrade employees' and managers' skills, both for leadership and for sound operations. These organisations are also well positioned to develop a repository of worldwide good practices to promote professional and leadership development in the public service.

Finally, strengthening organisational capacities at the centre, as highlighted throughout this chapter, will require investments in information and communications technology (ICT), research and building policy networks, inside and outside of government, to develop seamless access to data and knowledge to support the provision of sound and neutral advice aiming to serve the public interest. Again, a practice of ongoing capability reviews could enable Kazakhstan in ensuring the necessary capacities across the government, including in the centre (see Chapter 5).

Recommendations

2.1. Develop a risk-based and results-oriented central monitoring and oversight system to strengthen ministerial accountability for outcomes and create a more and high-performance culture in ministries.

2.2. Strengthen reliance on soft levers for ensuring policy and programme implementation by the Centre of Government to promote a high level of performance and collaboration across ministries.

2.3. Clarify and strengthen accountabilities at the government-wide and ministerial levels in the Centre of Government for achieving policy, programme and management results.

2.4. Clarify competencies between the Cabinet and individual ministries, across levels of government, and between ministries and their subordinate organisations, in line with the General Approaches of Modernisation of Public Administration by 2020 (see also Chapter 5).

2.5. Strengthen the strategic capacity of the Centre of Government, including at the level of people, as well as technological and organisational capacity.

Structure of the Centre of Government

Establishing a more integrated, efficient and aligned Centre of Government

In view of major changes in the operating environments of governments everywhere, including the declining availability of resources to fulfil government mandates, OECD countries focus on establishing a strategic state, which calls for making governments

more efficient through eliminating overlap and duplication of services, avoiding waste and achieving economy through decentralisation and reallocation or regrouping of units of the public service. Indeed, recognising the challenges of fragmentation in advanced OECD countries, there is a trend for smaller but very well co-ordinated and strategic centre (Figure 2.5), with clearly defined institutions responsible for advancing the management agenda across the government, although the specific size and distribution of functions may vary across countries (Box 2.7).

Figure 2.5. **Towards a better co-ordinated, more responsive and skilled centre in OECD countries**



Source: Responses to the OECD Centre of Government questionnaire, October 2012.

In Kazakhstan, the government (Cabinet) serves as the highest collegial executive body, which provides an integrated approach to government-wide policy issues. At the level of administration, Kazakhstan has also introduced a number of recent reforms to strengthen the CoG's capacity to provide leadership and steer national reforms. For example, the Ministry of National Economy is responsible for developing proposals for the modernisation of the public administration, functional assessment and overall assessment of the effectiveness of central public organisations and the development of proposals for public service pay. However, these steps have not yet been integrated within a coherent framework necessary to support the envisaged integrated approach to reforms, deliver better quality services for Kazakhstan's people and achieve sound policy outcomes. The latest reorganisation of the government in August 2014 serves as an initial step to achieve a more integrated centre by consolidating some of the "central" functions performed by the Ministry of Regional Development and the Ministry of Transport and Communication (see Chapter 3 on the responsibilities of the different central agencies). Prior to this reorganisation, the responsibilities of the CoG were highly fragmented. Still the work of central agencies on driving performance across the government remains spread thinly (Table 3.2). As such, it would be important to consolidate the existing

reforms to ensure that entities in the CoG of Kazakhstan work together in order to secure the leadership needed for reform, including the necessary strategic vision, accountability, strategic planning, policy coherence and collective commitment, and communication (Box 2.3). While the strategic planning process outlines the roles and responsibilities for each institution in achieving the government objectives, the initiatives could be further joined up through the creation of mechanisms for collaboration and incentive structure for joined work.

As such, Kazakhstan would benefit from a more joined up centre, but which can be sustained over time for policy coherence and integrated service delivery to enable the country to reach its full potential. Joining up government may mean placing a greater emphasis on cross-sector and government-wide work, and focusing on several core priorities, major investments and emerging issues that may have an impact on future performance. The government may also consider potential consolidation and realignment of functions across central institutions, possibly locating them in fewer institutions, although the size of the institutions may vary (see Box 2.7 and Chapter 3).

Box 2.7. **Centres of government in OECD countries**

Australia – Department for the Prime Minister and Cabinet (DPM&C)

The Australian Commonwealth's DPM&C has been described as "pre-eminent in terms of policy development" across government. The department is structured almost entirely around policy divisions dealing with domestic policy, strategic policy and implementation, and national security and international policy.

With over 500 staff, the DPM&C is involved in most high-profile policy issues, and has a brief to evaluate and advise the Prime Minister and Cabinet on the content of all major line ministry proposals. The department has the power to reject advice and analysis offered by ministries. The Prime Minister has around 40 staff, around half of whom are policy advisors with the rest working in functions such as press and protocol.

Strategic human resources is largely carried out by the Australian Public Service Commission, although the finance ministry and the DPM&C also play a role.

The Netherlands – the minimal centre

By contrast, the Dutch Ministry of General Affairs is an example of a highly decentralised administrative and political tradition. General Affairs has just 120 staff, although 50 of them work in the Prime Minister's office providing policy advice. It also contains a delivery unit of about 3 people who chase progress on the government's 74 targets and produce an annual progress report for parliament and the public. In addition, the government has set ten cross-cutting goals with pooled budgets.

General Affairs is called upon when situations prove politically difficult or co-ordination has become problematic. However, the Prime Minister's authority largely comes through following up the delivery of the government's coalition agreement – he must rely on personality politics and persuasion rather than formal power to resolve policy deadlocks.

The Department of the Interior has started to develop some of the functions commonly carried out by the centre in other countries – it is taking a lead on civil service reform, it employs and manages the top 800 civil servants and it is creating a central research team to support reform across government.

Source: Institute of the Government, www.instituteforgovernment.org.uk/ (accessed 14 October 2014).

It also appears that by amalgamating a number of management functions under the Ministry of National Economy in August 2014, Kazakhstan has begun moving towards establishing a consolidated management institution in the CoG, similar to what was already proposed in the Strategy 2030 and what is observed in many OECD countries (Box 2.8). Such consolidated institution could support developing a coherent management improvement agenda across the government by pulling together the functions of public management, which have been previously dispersed across various central agencies. Such an institution could enable the integration of modernisation objectives with the fiscal objective, promote high quality management across the government and lead a system of functional and capability reviews of central agencies and ministries in Kazakhstan.

Box 2.8. Examples of consolidated public management and administration institutions in OECD countries

The Treasury Board and its Secretariat in Canada

The Treasury Board, a Cabinet committee of ministers established in 1867, sets up policies and standards regarding management practises in a wide range of areas and oversees their implementation across the federal government. As the management board of the government, the Treasury Board performs the functions of:

- the government's budget office by examining and approving the allocation of the government's resources
- the government's management office by promoting improved management of the government's financial, information and technology assets
- the people management office by setting people management policies, including determining the terms of conditions of employment.

As the administrative arm of the Treasury Board, the Secretariat (TBS) carries out the responsibilities of a central government agency and supports the Treasury Board in each of its roles. Specifically, TBS is responsible for the organisation and administration of Canada's public service. It sets employment and management policy across the civil service, assessing compliance through its Management Assessment Framework. It also acts as a hub for reporting performance to parliament. It has been notably successful in encouraging take-up of e-government and advanced customer service techniques through its Service Canada initiative. In addition, it hosts the functions of the Comptroller General of Canada, the Chief Human Resources Officer and the Chief Information Officer. The Comptroller General provides recommendations and policies and regulations in respect to the allocation and re-allocation of the government's resources, establishes policies and standards to improve the financial management functions in departments and agencies, as well as ensures that departments comply with the Board's expenditure policies. The Chief Human Resources Officer improves human resources management in the public service and supports public servants by achieving a high-quality workforce and workplace through opportunities such as training and career development, diversity and employment equity. The Chief Information Officer in turn establishes strategic direction to achieve excellence in information technology, information management and security, as well as access to information and privacy.

In addition, while the Department of Finance is responsible for setting the overall public spending envelope and formally presenting the budget to parliament, TBS supplies the initial guidance for that budget including reallocation options for spend as well as assessments of new programme business plans. It is also responsible for monitoring and manages fiscal discipline and financial performance across government and in so doing, it monitors the effectiveness of departmental programmes and makes recommendations for reallocating or cutting spending from those programmes. The Finance Minister sits on the Treasury Board itself, ensuring close connections between the two departments.

Box 2.8. **Examples of consolidated public management and administration institutions in OECD countries** (*cont.*)

Ministry of State Reforms, Decentralisation and Public Service in France

The ministry established and implements polices aimed at reforming, improving and managing the reform of the state, decentralisation and public service. It sets up and implements measures to adapt public services to the needs of the citizens, to improve their efficiency, to redistribute (through de-concentration, delegation, devolution, etc.) functions and responsibilities, to modernise the public administration, and to develop social dialogue between the citizen and the government. It also co-ordinates and supports the government in terms of evaluation of public policies, as well as countersigns decrees related to the organisation of the central government institutions, national agencies, decentralised authorities and public institutions, which are under the supervision of the state.

The General Directorate for Local Government, which is under the supervision of the Ministry of State Reforms and the Ministry of Interior, is in charge of the regulations on the competencies and responsibilities of the local governments, collaboration between the local governments, local democracy, local public services, government procurement.

The Directorate General for Administration and Civil Service is responsible for human resource management across the government institutions and for the monitoring of the social responsibility of the state as an employer. It develops and assesses policies in the areas of public service employment (wages, pension schemes, recruitment, training and career development, relations with the trade unions), provides the government with support and advice on strengthening and sustaining the social dialogue in the public service. Finally, it ensures regulatory consistency and unity within the civil service.

The Ministry of Security and Public Administration in Korea

The Ministry of Security and Public Administration is responsible for national administration, government organisations, personnel management, e-government and disaster safety. Furthermore, the ministry actively supports the local government in terms of local administration, finance and regional development for the promotion of greater local autonomy.

The vision of the ministry includes:

- improving the efficiency of government action;
- ensuring that civil servants serve the best interests of the society;
- guaranteeing a safe and secure society;
- creating an advanced knowledge-based information society;
- building an accountable fiscal management system for local governments; and
- improving the government's organisational capacity.

The ministry is responsible for the following functions:

- Creative Government Strategy – promoting a creative government, improving administrative efficiency through improved collaboration between agencies;
- personnel management – developing and assessing the public service employment policies and practices;
- e-government – developing global co-operation in e-governance and co-ordinating policies to improve efficiency in e-governance;

Box 2.8. **Examples of consolidated public management and administration institutions in OECD countries** (*cont.*)

- safety management – establishing policies on the protection of the national critical infrastructure, plans and co-ordinated policies on emergency preparedness;
- local administration affairs – supporting affairs related to local administration and supervising policies on decentralisation; and
- local finance and tax – establishing policies on local government policies and on improvement of local fiscal management.

State Services Commission in New Zealand

The State Services Commission is a central government agency within the New Zealand government whose overarching goal, as described in its statement of intent, is to "provide leadership to the State Services so that government works better for New Zealanders". The role of the State Services Commission is to improve the performance of the country's public sector organisations. As defined by the State Sector Act 1988, the Crown Entities Act 2004 and the Public Health and Disabilities Act 2000, the official responsibilities and roles of the commission are to:

- appoint public service chief executives and review their performance;
- promote and develop senior leadership and management capability for the public service;
- provide support and advice on the training and career development of civil servants;
- review the performance of each department; provide advice on the allocation of functions to and between departments and other agencies;
- develop, promote and asses equal opportunities policies and programmes; and
- carry out other functions with respect to the administration and management of the public service, as directed by the Prime Minister.

Source: Treasury Board of Canada Secretariat website, www.tbs-sct.gc.ca/tbs-sct/index-eng.asp; Ministry of Security and Public Administration, www.mospa.go.kr/gpms/view/english/about; State Services Commission website, www.ssc.govt.nz.

Aligning the structure in the Centre of Government institutions[7]

While specific configurations of centres of government differ across OECD countries and beyond, they tend to have common types of units, which are described below. A comparative analysis is made to similar units in the Kazakhstan's government:

- Chief executive's direct support units: These offices provide direct personal support to the President or Prime Minister, including political and logistical assistance. In the United States, this unit is the White House Office, located within the Executive Office of the President (EOP). In the United Kingdom, it is the Prime Minister's Office. In Kazakhstan, the President, Prime Minister and deputy prime ministers have their support units.
- Strategy units: These units are often tasked with preparing the government's main strategic initiatives, such as the Prime Minister's Strategy Unit (PMSU), which was part of the United Kingdom's Cabinet Office (2002-10) and which worked

closely with the Prime Minister's Policy Directorate in charge of providing day-to-day policy advice to the Prime Minister. In Kazakhstan, the Centre for Strategic Research and Analysis in the Presidency is responsible for the monitoring, co-ordination and alignment of strategic and programmatic documents, as well as the strategic plans of ministries and agencies.

- Policy co-ordination units: Units supporting and facilitating policy co-ordination and contributing to the preparation of Cabinet meetings or other inter-ministerial committees by managing their decision-making process and enforcing its rules. Cabinet meetings are also usually preceded by preparatory meetings, both within the CoG and with the different sectors of government, chaired by a member of the CoG. In Kazakhstan, policy co-ordination units are located both in the Chancellery of the Prime Minister as well as in the Presidency, with the chancellery being responsible for the preparation of the meetings of the Cabinet, enforcing the rules and supporting governmental commissions and committees. Yet in parallel the Presidency also has units responsible for co-ordinating policy (in each specific policy unit responsible for a particular area), as well as supporting presidential committees and commissions. Both the Presidency and the Chancellery include units co-ordinating policy with parliament and other stakeholders, although there is limited co-ordination between the chancellery and the Presidency in these areas (see Chapter 3). As noted elsewhere in this report, Kazakhstan may consider strengthening the co-ordination role of the Chancellery, possibly by creating a specialised policy co-ordination unit, which would be responsible for the co-ordination and oversight of horizontal and other policy initiatives, stemming from both the Chancellery and the presidency. This, however, would require reviewing the functions of the government (Cabinet) as a collective body to remove or delegate those functions which can be performed at the level of line ministries or other stakeholders within their mandates (e.g. approval of uniform standards). See also discussion in the remainder of this chapter and Chapter 3.

- Performance monitoring units: While ministries and agencies have the primary responsibility for implementing and monitoring policies and programmes, heads of state and government are responsible for the overall performance of government and the country. As such, performance monitoring units are responsible for monitoring policy implementation and are increasingly placing an emphasis on measuring policy results and outcomes. For example, the Prime Minister's Delivery Unit in the United Kingdom used quantitative indicators to measure departmental performance on the Prime Minister's top priorities tied to budget allocations; the Cabinet Implementation Unit in Australia is responsible for a rigorous follow-up on the implementation of policies, although it was not tied to budgetary allocation decisions; the UPGC (Unidad Presidencial de Gestion de Cumplimiento) in Chile is also in charge of monitoring policy implementation and is involved in defining strategic priorities and in policy co-ordination. None of these units though seek to replace ministerial expertise or to directly develop and address broader long-term reforms. They focus on the continuous tracking of a few fairly simple indicators, detect specific bottlenecks and assist departments in making the necessary adjustments. In Kazakhstan, performance monitoring is carried out by most central agencies, including the presidency (both the Centre for Strategic Research and Analysis and policy units responsible for specific policy areas), the Chancellery, Ministry of National Economy (including the Centre for

Assessment of Effectiveness), Agency for Civil Service and Anti-Corruption and Ministry of Justice (see Chapter 3).[8] In addition the presidency includes a unit on state control that monitors the performance of regional administrations in Kazakhstan, as well as a unit on socio-economic monitoring. Streamlining the allocation of responsibilities for performance monitoring in Kazakhstan could enable both the ministries to assume greater responsibility for maximising their performance and for the centre to focus on ensuring the implementation of the core priorities.

- Press, communications and speechwriting office: This office, which may be a sub-unit of the President's or Prime Minister's personal office, is in charge of co-ordinating the government's communications and ensuring a coherent message across the different ministries and agencies. Similarly, both the President and the Prime Minister of Kazakhstan are supported by press offices.
- Policy advisory units with experts in areas of responsibility of line ministries, which aim to diversify policy analysis options and support the head of state or government in identifying alternative policy options. For example, in the United States, the Council of Economic Advisers, located within the Executive Office of the President, offers the President analysis on domestic and foreign economic policy and a critical role reviewing the alternatives presented by the departments. The council is composed of senior academics and has no management or co-ordination responsibilities. In Kazakhstan, both the President and the Prime Minister are supported by policy advisors, including units on internal and external policies. The presidency also has a unit on civil service issues and personnel.
- Legal counsel unit: These units review the legality of the proposals sent by the ministries and support heads of state or government on decisions to sign bills into law or veto them, issue decrees and regulations, produce intra-executive directives and can usually send bills to the legislature for consideration. The Legal Counsel Unit in the Presidency of Kazakhstan (over 20 staff) is bigger than in similar units in most OECD countries but this is likely to be linked to the legalistic nature of policy making in the country. The Chancellery also has a Legal Counsel Unit.
- In addition, both the presidency and the Chancellery in Kazakhstan have units responsible for co-ordination of the relationship with parliament. The Chancellery also has units for external relations and protocol, a unit for protection of state secrets, a centre for protection of information and a centre for information and advanced training. It also includes the state courier service for Kazakhstan. The presidency, in turn, includes units related to the functioning of the Security Council of Kazakhstan, the State Secretary and the Assembly of People of Kazakhstan. In addition, there are units dealing with IT issues and protection of informational resources and protocol issues. While all of these units both in the Chancellery and the presidency are important for the effective functioning of the President, the Prime Minister and the Cabinet, the experience of OECD countries shows that there is much efficiency that can be gained through consolidating some of the functions for both central agencies (IT support, protection of state secrets, etc.).

The analysis above shows that while Kazakhstan has most of the units found in OECD countries, there seems to be some duplication and complexity in the current organisational structure. While some duplication is justified given the semi-presidential regime in Kazakhstan, the country may consider maximising the strategic role of the presidency, advancing the co-ordination and performance monitoring role of the Chancellery and reviewing the agencies in the CoG to build on their comparative advantages, increase efficiency and effectiveness (see the following sections and Chapter 3 for further discussion on this topic).

Emphasising the strategic role of the presidency

Many OECD countries combine within a single central agency (or a small set of agencies) the key functions relating both to the stewardship of the country's long-term development and to the day-to-day management of the government. This is the case both with presidential systems (e.g. the United States) and parliamentary systems (e.g. Canada or the United Kingdom). In some other cases, these functions are separate (e.g. France). Yet there is always a clear distinction of responsibilities between units responsible for the management of the daily operations of government and those in charge of long- and medium-term strategic frameworks.

In Kazakhstan, the presidential administration has established a special structural unit (Center for Strategic Research and Analysis), which plays a strategic role in guiding the strategic planning across the government. This unit is mainly responsible for:

- monitoring the implementation of the development strategies of Kazakhstan through 2030 and 2050, the Strategic Development Plan of the Republic of Kazakhstan until 2020, and co-ordination of the development of state planning and government statistical systems;
- an annual performance evaluation of central and local executive bodies;
- preparing proposals for strategic development of science and innovation;
- developing recommendations and analysis on issues of competitiveness and economic integration of Kazakhstan; and
- monitoring the quality of the implementation of the President's regulations, instructions and manuals of the presidential administration, among others.

In addition, approval of the Presidency is required for the following documents and procedures:

- the process for developing concept documents;
- the process for exercising oversight by the Accounts Committee over the execution of the Republican Budget and related activities;
- action plans for the implementation of the National Security Strategy and state programmes;
- a strategic plan of the Supreme Court of the Republic of Kazakhstan; and
- development programmes for regions, cities of republican status and the capital.

The Presidency also oversees and monitors the implementation of the forecasts of territorial and spatial development of the country, programmes and strategic plans of certain public bodies. The administration has the right to introduce amendments to these documents on the basis of the results of monitoring and oversight.

Overall, the administration plays an important strategic role in Kazakhstan through establishing the vision and strategy for the country and the government. Yet, in addition to developing strategic frameworks, the presidency appears to be significantly engaged in managing and controlling the implementation of the President's agenda, including provision of detailed instructions, monitoring of the implementation of the presidential assignments, decrees and other priorities by ministries. This monitoring is divided among various units in the presidency. Such widespread involvement often results in a lack of initiative and ownership on the part of the ministries, which are waiting for direction and instruction from the top. This also may limit the accountability of ministries for results, discussed earlier in this chapter, in that they mainly focus on instructions from the top without the necessary analysis of policy issues and options, accompanied by the necessary decision-making process. Under the current scenario, accountability appears to mainly rest in the CoG, including the Presidency, even for sectoral areas lying within the competency of individual ministries. While this certainly could be legitimate, the detailed involvement of the Presidency in the day-to-day operations of the government may not serve as the best investment of Presidency's resources and may significantly limit the ability of ministries to exercise autonomy and ownership in acting within the areas of their competence. To this end, the Presidency, along with other central agencies, may consider providing more authority to ministries in defining their priorities and activities, also with a view to enable greater accountability. Under this scenario, the presidency would thus be able to mainly focus on setting the strategic agenda for the country. Such a strategic role would also call for greater delegation of monitoring and co-ordination activities to the Chancellery, which already has some of these responsibilities. The Chancellery, in turn, could report back to the Presidency on a regular basis which would thus allow avoiding parallel reporting requests to the ministries from the Presidency and the Chancellery. This would enable the presidency to concentrate its resources on advising the President on long-term strategic issues affecting the country's development and their impact on medium-term development strategy, as well as on cross-cutting policy, programme and organisational issues and government, democratic and public service reform. This would also empower the Chancellery to serve as a co-ordination hub in the government (see below).

Solidifying the Chancellery's role as the government's co-ordination hub

In OECD countries institutions similar to the government of Kazakhstan (Cabinet of Ministers) are usually serviced by one or more Centre of Government institutions that play several functions simultaneously in their dealings with line ministries and government agencies. These functions are outlined in Box 2.9.

In addition, in OECD countries, the government office has to ensure that the rules are credible and enforceable and that there is a realistic prospect of agreement. The office must be in a position to ensure that:

- all major decisions are routed to the Cabinet with the necessary sequence of meetings during budget preparation;
- items that are not legal, that raise obvious policy inconsistencies with prior decisions or that have not been consulted on can be withheld from the Cabinet;
- decisions are clarified and implementation is reported;
- there is no perception that the Cabinet office has a separate policy agenda from that of the sector ministries or the Ministry of Finance; and
- alternative economic and policy scenarios are presented to the Cabinet (Manning et al., 1999).

This requires sound co-ordination capacities, which is a great challenge for governments across the world. Limited or ineffective co-ordination may result in duplication, overlaps or policy gaps (Gaetani, 2011). James and Ben-Gera (2004) point to eight dimensions of co-ordination performed by the CoG:

- co-ordination of organisational arrangements for the Cabinet of Ministers and ministerial committees;
- co-ordination of the policy content of proposals for the Cabinet of Ministers;
- co-ordination of legal conformity;
- co-ordination of the preparation of government programmes and priorities, and their linkage to the budget;
- co-ordination of communications;
- co-ordination of the monitoring of government performance;
- co-ordination of relations with parliament; and
- co-ordination of specific horizontal strategic priorities.

Box 2.9. **Functions of the Government Office and Prime Minister's Office (Centre of Government institution)**

- The leadership function, which enables the government office institution to speak for the Head of government when working with ministers who wish to propose initiatives to contribute to implementing the national development strategy – this function speaks simultaneously to setting priorities government-wide and to sequencing initiatives for maximum benefit to the country.
- The *ex ante* and *ex post* co-ordination functions, that enable the CoG institution to harness, in light of the complexities of implementing the national strategy effectively, resources from across the government to ensure that whole-of-government coherence in policy setting and implementation is maximised through Cabinet decision making, and that *ex post* performance assessment takes into account the "joined-up" nature of whole-of-government policy design and implementation effectively.
- The challenge function, which allows the CoG institution to harness sound evidence to question a line minister's approach to problem solving in whatever initiative he or she is bringing forward to the Cabinet for consideration, to measure whether the proposal takes all internal and external short-, medium- and long-term considerations into account (e.g. risk, costs, etc.).
- The advisory function, which enables the CoG institution to advise the minister, the Cabinet committee and the Head of state/government on the validity and utility of an initiative being submitted for consideration; for instance, is the initiative ready for consideration? Is it timely? Does it fit within the government's overall strategy? Were proper and meaningful consultations conducted with stakeholders? Are the results reflected in the proposal being submitted for consideration?
- The traffic-light function, which enables the CoG institution to advise a line minister that his/her initiative is not yet ready for consideration by the Cabinet.
- The communications function, which allows the government, through the CoG institution's activities in this area, to report internally and externally on its government-wide strategic objectives and on the progress it is making in achieving them, thus heightening the government's accountability to citizens.

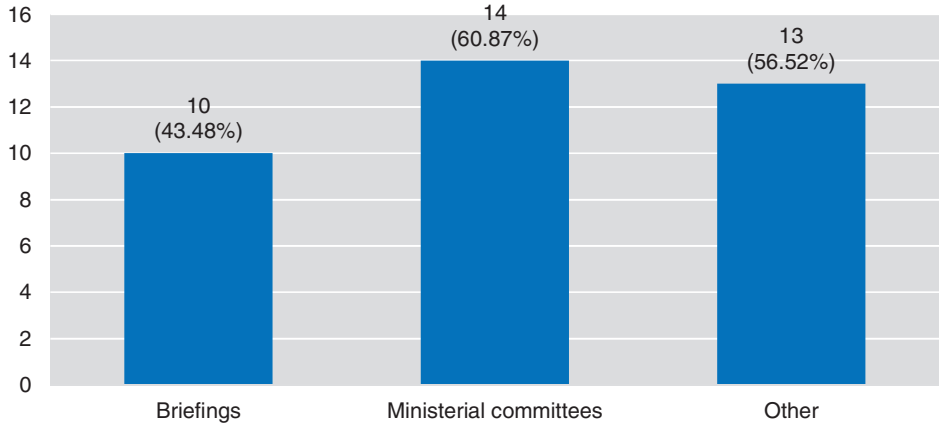
Source: Adapted from the OECD (2013), Strategic Lessons learned from Comprehensive Public Governance Reviews. A paper prepared for the OECD Public Governance Committee.

Effective co-ordination requires avoiding prescriptive solutions, while ensuring effective implementation. As such, having a substantive understanding of the issues and exercising authority are critical to effective co-ordination, which in turn has implications for the co-ordination function. It must be located at the CoG with a strong mandate and authority and have sufficient capacities to deal with substantive issues.

Based on an analysis of related regulations, it appears that the government of Kazakhstan already possesses CoG institutional arrangements that perform most of these functions, in the Chancellery of the Prime Minister. Similar to OECD countries, the Chancellery of the Prime Minister (an institution of about 100 people) combines both the Government Office and the Secretariat of the Prime Minister functions.[9] It also appears to be responsible for co-ordinating agenda items prior to their discussion in the Cabinet. Such co-ordination seems to take place through briefings and ministerial meetings, similar to most OECD countries.

Moreover, the monitoring and co-ordination role of the Chancellery does not always appear to cover various instructions and regulatory acts emanating from the presidency. While the implementation of the President's acts is currently monitored directly by the presidency, it may create a dual and parallel reporting for ministries, thus possibly detracting from their focus, capacities and resources on effectively carrying out their mandates and functions.

Figure 2.6. **Co-ordination of agenda items in the Chancellery in OECD countries**



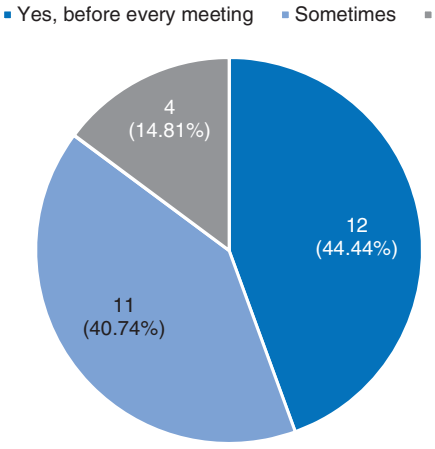
Note: Based on answers from 23 countries.

Importantly, centres of government in almost all OECD countries organise pre-Cabinet meetings of senior ministry officials (permanent secretaries, state secretaries) to prepare for the Cabinet discussions (Figure 2.7). It is not clear whether this practice takes place in Kazakhstan.

To solidify the effectiveness of the current arrangements, Kazakhstan may consider designating the Chancellery as the main co-ordination hub for the implementation of both the President's and government agendas across the government, including the identified dimensions of co-ordination. This role would include co-ordinating the implementation of all initiatives planned in fulfilment of the President's and government agendas, the annual address of the President as well as other instructions, resolutions and decisions of the government and the President. The implementation of the President's and government agenda would be linked to the government-wide performance management, which would focus primarily on supporting departments to work together on the government's strategic goals. It may also require setting up a dedicated co-ordination unit in the Chancellery to

ensure sufficient capacity. As mentioned above, this approach would enable the presidency to focus on performing a more strategic function of generating strategic insight and advice to support the role of the President, rather than engaging in daily oversight of the ministerial activities. In addition, solidifying the Chancellery's role as a co-ordination hub would require a revision of the functions of the government and ministries to provide ministries and ministers with more autonomy to decide on matters within their mandate and competence. This would free up the government's time and capacity to focus on debating horizontal and strategic policy issues.

Figure 2.7. **Responsibility of the Centre of Government for organising pre-Cabinet meetings of senior ministry officials* in OECD countries**



Notes: * Permanent secretaries, state secretaries. Based on answers from 27 countries.

Moreover, the role of the Chancellery to manage cross-ministerial issues could also be strengthened through introducing a more comprehensive challenge function. Many advanced OECD countries are embedding a challenge function in the CoG as part of the broader policy-making process, in order to ensure that policies are consistent with other priorities or policies of the government, developed in the broader public interest. Cabinet and presidential offices have a particularly important role to play in providing a challenge function in relation to major horizontal and strategic issues. Some of the review criteria are highlighted in Table 2.2. In order to be effective, however, the challenge function must be well informed, which in turn requires specific skills and resources (Box 2.10).

Table 2.2. **How are items submitted to Cabinet reviewed in OECD countries?**

Review criteria	Centre of Government reviews submissions		Centre of Government has the authority to return items		Items are reviewed by another body	
That procedures for preparation and presentation are respected	16	66.7%	19	79.2%	0	0.0%
Quality of legal drafting and legal conformity	10	41.7%	13	54.2%	13	54.2%
That a regulation meets regulatory quality standards (public/economic benefits, that benefits outweigh costs, that an impact analysis has been carried out, etc.)	8	33.3%	14	58.3%	10	41.7%
That the item is in line with the Government Programme	12	50.0%	13	54.2%	4	16.7%
That relevant ministries and other stakeholders have been consulted as required	12	50.0%	16	66.7%	3	12.5%
That adequate costing has been carried out	10	41.7%	13	54.2%	12	50.0%

Box 2.10. **Brief summary of the functions of the German Federal Chancellery**

- The Federal Chancellery is the co-ordinating centre for government policy as a whole. It is led by the Head of the Chancellery who, as Federal Minister for Special Affairs, is a full Cabinet member. The Chancellery's organisational structure reflects the government's ministerial portfolio structure as there is at least one section responsible for every ministry in the Chancellery. These so-called mirror units fulfil an important liaison function between the CoG and their respective line ministries by maintaining contact with them and overseeing their activities. Together they constitute a mini projection of the whole government which is decisive for the competency and efficiency of the Chancellery.
- Under the German Constitution the Chancellor determines and is responsible for general public policy guidelines. These policy guidelines bind the ministers who, in accordance with the Basic Law, conduct their affairs autonomously under their own responsibility. So, while the Chancellor cannot issue formal orders that fall within a minister's specific jurisdiction, the Chancellery plays a whole-of-government leadership function in supporting the Chancellor in exercising his/her policy stewardship role, and is thus not limited to playing only a co-ordinating and mediating role.
- The Chancellery provides all secretariat functions to the Cabinet, in particular the preparation of the Cabinet agenda. Within the Chancellery, the responsible unit is the section for Cabinet and Parliament Affairs, which is closely linked to similar units in the ministries. Together with the Chancellery's staff this unit considers all formal and technical requirements of all proposals submitted for Cabinet decision. In particular, it checks whether disputes or conflicts between ministries remain unsolved and whether resistance can be expected from parliament and/or civil society groups. It directs legislative initiatives approved by Cabinet to the appropriate legislative bodies.

Source: OECD (2013), *Colombia: Implementing Good Governance*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264202177-en.

The Chancellery already has an important challenge function embedded in the structure of its central institutions. First, before being submitted for the government's consideration, draft laws, proposals, resolutions and programmes are reviewed by the Chancellery's Legal Department, which has a right to return the documentation back to the initiating department. The Chancellery works with government institutions on their proposals to the government and transmits subsequent government decisions to ministries and agencies. This means that the Chancellery challenges ministerial submissions to the government to ensure that they meet the information needs of the Cabinet and that the submissions are consistent with the government's overall policy direction, as outlined in the country's development visions and strategies. It verifies that such documents meet the requirements of the regulations, including those to format, inter-ministerial consultations, and completeness of documents. The Chancellery also ensures that all ministers and their officials who ought to be interested in a policy proposal are given an opportunity to consider it in advance and to express their views. It is also responsible for ensuring that government agencies co-ordinate their efforts with respect to horizontal initiatives prior to engaging with the government.

Box 2.11. **An effective challenge function in the Centre of Government**

Some success factors for an effective challenge function include:

- lively substantive challenges from outside government: including from policy researchers, interest groups, the press, political parties and legislatures;
- effective challenge mechanisms and practices within departments: including a strong policy capacity, good evaluations and an open debate in the senior executive;
- effective challenge and co-ordination mechanisms between departments: including horizontal co-ordination and properly equipped and motivated central agencies; and
- significant substantive differences over policy choices: conflicting objectives or views provide strong motivation for challenge.

Source: Based on information from the Canada's Deputy Minister Task Force (1996), "Managing Horizontal Policy Issues", Government of Canada.

Yet the focus of the current challenge function tends to lie on verifying legality and alignment with the strategic visions and plans. The assessment does not include an analysis of the quality of the proposed policy options, value-added to the government's agenda or impacts of the proposals on broader horizontal issues (e.g. business climate, gender equality and environment).

Yet, to further strengthen the challenge function performed by the Chancellery, the government may consider expanding its focus from the legal aspects and verification of consistency with the established government agenda, to assessing the overall value-added of a proposal from a horizontal perspective and whether it is good for government as a whole and is good public policy.[10] Kazakhstan may also consider strengthening mechanisms for ensuring that cross-cutting issues (e.g. assessment of the environmental sustainability, gender equality) have been addressed in the proposals by requiring evidence that a specific analysis (e.g. gender analysis; see Box 2.12) has been conducted. Undertaking implementation readiness assessments for a high-risk project could also be part of this assessment. For example, Australia assesses implementation through reviews which are carried out over a one-week period and usually focus on the following areas:

- policy design (includes key assumptions)
- implementation planning (includes resources, managing interdependent relationships and procurement)
- governance arrangements
- risk management
- stakeholder management and communication
- evaluation and performance (Department of Finance, Austalia, n.d.)

An implementation readiness review would typically occur in the final stages of the development process but prior to any government decision.

Box 2.12. **Roles and responsibilities for applying gender-based analysis as a horizontal policy assessment tool**

As part of the Federal Plan for Gender Equality developed in 1995, Canada adopted a policy which obliges federal departments and agencies to conduct a gender-based analysis (GBA) of future legislation and policies, as an instrument that cuts across all policy areas. The GBA is an analytical tool that assesses how the impact of policies, programmes, legislation and agreements on women might differ from their impact on men.

Within the federal government, Status of Women Canada (SWC), an organisation promoting the full participation of women in economic, social and public life, has responsibility to help the departments and agencies to create an effective GBA framework. The SWC is also responsible for ensuring that departments understand their responsibilities for GBA, defining expectations of when to perform a GBA, and regularly reporting through the SWC's public website on the progress made on GBA implementation and practice.

The central agencies of the federal government – the Treasury Board of Canada Secretariat (TBS), the Privy Council Office (PCO) and the Department of Finance – play a challenge role in ensuring that the departments and agencies take into account all significant criteria, including gender equality impacts, in the development of policies and programmes being submitted for Cabinet consideration and approval.

More specifically, the TBS gives advice and support to the Treasury Board as a Cabinet Committee as it allocates funds and oversees the financial management of departments and agencies. It is the role of the PCO (an equivalent of the Chancellery in Kazakhstan) to ensure that policy proposals are in line with the government's priorities and have incorporated the results of the GBA. The PCO plays a critical challenge role in the government's policy approval process in relation to GBA – ensuring that proposals developed by federal organisations have taken into account all relevant factors, including those related to gender equality, through the use of GBA. The PCO has the right to return proposals back to the departments if they are found not to have carried out all of the appropriate analyses, including horizontal tests.

Moreover, the Department of Finance Canada can challenge the analyses of the department and review the proposal, including for gender impacts. Before a proposal goes to Cabinet for its consideration, the Department of Finance works with the other two central agencies to ensure that all relevant factors are taken into account, including gender impacts.

However, it is the responsibility of each agency and department to determine whether a GBA is appropriate or relevant and to deliver a thorough and complete assessment.

Source: Office of the Auditor General Canada (2009), "2009 Spring Report of the Auditor General of Canada", Government of Canada, Ottawa, Ontario, www.oag-bvg.gc.ca/internet/English/parl_oag_200905_01_e_32514.html#hd3e.

Optimising the entities reporting directly to the President or the Prime Minister

The experience of OECD countries shows that it is important to avoid placing units without a natural location in the Centre of Government (Peters et al., 2000). Chakrabarti quotes a British official as saying: "Only do at the centre those things that only the centre can do." (Chakrabarti, 2007). This tendency exists in particular in Latin American countries when many agencies were located in the centre due to the political sensitivity of issues or disagreements between ministers and agency heads. Yet this may undermine the capacity of the CoG to perform its regular functions and increases the need for co-ordination (Alessandro et al., 2013). Some of the criteria for placing agencies in the CoG, developed by the World Bank, are found in Box 2.13.

Box 2.13. Criteria for locating an agency at the Centre of Government

- The agency's mandate is of such high political sensitivity that it needs the time-limited, direct engagement and leadership of the Prime Minister. If an agency exists for this reason, it is important to review the mandate of the agency periodically to assess whether the issue it addresses is still urgent and, if not, whether the agency should be relocated to an appropriate ministry or disbanded altogether.
- The agency's mandate is a high-priority, cross-cutting reform for the government and requires the direct engagement and time-limited leadership of the Prime Minister to ensure effective implementation. A common example of such an agency would be one dedicated to public administration reform. The location of the agency at the centre should be time limited. Following implementation of the reform, the agency's responsibilities would be delegated to the appropriate ministry.
- The activity of an agency is of general importance to all ministries and requires the authority of the Prime Minister to ensure compliance by ministries. Examples from other countries include dealing with refugees, national minorities, religious communities, disabled people, women's issues, etc.
- The agency's mandate is of such high political sensitivity that it needs the time-limited, direct engagement and leadership of the Prime Minister. If an agency exists for this reason, it is important to review the mandate of the agency periodically to assess whether the issue it addresses is still urgent and, if not, whether the agency should be relocated to an appropriate ministry or disbanded altogether.
- The agency's mandate is a high-priority, cross-cutting reform for the government and requires the direct engagement and time-limited leadership of the Prime Minister to ensure effective implementation. A common example of such an agency would be one dedicated to public administration reform. The location of the agency at the centre should be time limited. Following implementation of the reform, the agency's responsibilities would be delegated to the appropriate ministry.
- The activity of an agency is of general importance to all ministries and requires the authority of the Prime Minister to ensure compliance by ministries. Examples from other countries include dealing with refugees, national minorities, religious communities, disabled people, women's issues, etc.
- The agency's mandate requires independence from the line ministry that would normally have responsibility for the related policy area.
- The activity of an agency fits within the typical core functions of the Centre of Government (1).

(1). Administrative and policy support for the President, Prime Minister and Deputy Prime Minister (may also include ceremonial, protocol functions); government-wide strategic planning and annual work planning; policy document review: quality assurance; inter-ministry mediation; monitoring government performance; management of horizontal policies/priorities; preparation of government meetings; legal conformity of draft laws; communication with media and public (including contentious issues management); co-ordinating with other branches of the state (include the Presidency, Parliament, the parties making up the governing coalition, the institutions of civil society); ancillary services (e.g. personnel, financial, organisational, archives); co-ordination of activities related to management of the civil service.

Source: World Bank (2010), "Romania: Functional review – Centre of Government", The World Bank, available at www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/12/10/000425962_20121210113616/Rendered/PDF/NonAsciiFileName0.pdf (accessed 10 September 2014).

Prior to the government reorganisation of August 2014, the number of entities reporting directly to the Prime Minister or the President in Kazakhstan was high[11] as compared to most OECD countries.[12] The recent reorganisation significantly reduced the number of agencies by transforming them into committees under ministries. Such changes would allow ministerial authority to be strengthened and the time of the Head of government and the Head of state spent on related management responsibilities to be reduced. The experience of OECD countries points to the importance of establishing clear criteria with regard to the cases in which agencies would be established at the CoG. While there may be a political or legal rationale for making an agency report directly to the Head of government or the state, it is the exception rather than the rule in OECD countries. In addition, establishing clear criteria for creating agencies instead of ministries could help maintain an optimal structure of government over time.

Recommendations

2.6. Establish an integrated Centre of Government through developing a joint approach to delivering central agencies' functions.

2.7. Empower the Chancellery to manage cross-ministerial issues and serve as the main co-ordinator for the implementation of both the presidential and governmental agendas.

2.8. Expand the challenge function of the Chancellery to assess the overall value of proposals for new policies and programmes for the government as a whole, in addition to the examination of its legal aspects, implementation plan and consistency with the established governmental agenda.

Decision-making processes in the Centre of Government

The policy-making function is essential to a country's life, to the life of governments and citizens. The quality of policies and ability to achieve desired outcomes ultimately influence citizens' lives, the economic and social development of the country and political success of the government. The ability to deal with the emerging, more complex and wicked policy problems, in times of fiscal constraint, requires sound policy capacities in both central agencies and departments. Moreover, citizen participation in policy making is undoubtedly one of the key elements of policy capacities in OECD countries. The CoG plays a critical role in establishing sound and effective policy-making frameworks, through clear delineation of roles and responsibilities, promotion of horizontal policy discussions, enabling horizontal policy solutions.

Strengthening the role of the government as a collective decision-making body

According to the Constitution of Kazakhstan, the government (Cabinet of Ministers) heads the executive system and is responsible for the implementation of socio-economic, defence, security, science and technology, new technologies, culture, education, healthcare, tourism, sport, environment and public order policies. The President also has the authority to issue binding decrees and executive orders (which should be aligned with the Constitution and the laws) and direct the work of the executive through defining a government structure and appointing its members, establishing public organisations directly accountable to the President (and which do not form part of the government) and which may influence activities of the executive branch, appointing heads of oversight bodies and defining strategic priorities of the government through his/her annual address to the nation, approving national plans for implementing the annual address, which

contain instructions to all government agencies; determining human resources policy for the executive branch (Box 2.15).

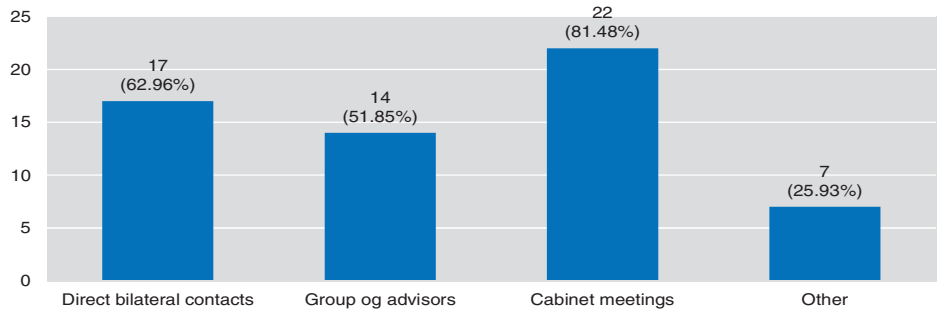
Such strong presidential powers may have been necessary when the country was in its earlier stages of development, where top-down control was necessary to secure policy compliance and implementation, in the context of a transition to a market economy and a young political system. Moving forward, as Kazakhstan looks to strengthen its openness and competitiveness, as well to ensure its ability to effectively deal with horizontal policy issues and increase the inclusiveness and responsiveness of its policy making and service-delivery processes, Kazakhstan may consider strengthening the role of the government as the ultimate collective decision-making body and strengthen collective accountabilities of ministers for implementing a collective agenda.

Some of the core functions of the government could include:

- Offering a key forum for debate on national strategy and strategic policy. This forum would allow for a discussion on a confidential basis of philosophical differences between ministers on a policy approach to address a strategic issue. These debates should be supported by evidence brought to the table by various ministers, which should be developed through stakeholder and public consultations, thus enabling more robust evidence-based decision making. This forum would provide the basis for enriching the content of the policy proposals and strategies being submitted to the President for decision.
- Acting as a policy filter through which single-sector or multi-sector strategic initiatives are debated in the context of the President's general approach to the country's development. This would allow the government to contextualise and assess individual initiatives against the country's development vision and strategy and to recommend whether a proposal should proceed to implementation or be held back. This would require, however, delegating greater authority to the government from the President's administration in terms of policy development and priority setting.
- Acting as decision maker on issues of less strategic importance to the country, thus freeing up precious time and resources for the President to devote to more strategic issues. At the same time, it would be important to ensure that the government does not focus on daily sectoral initiatives which clearly fall within the mandates of individual ministries. Current efforts to more clearly distinguish between the authorities of the government and those of the line ministries serve as an important step in this direction.

Experience in OECD countries highlights the importance of government cohesion, which requires consistency in the allocation of powers between the President and the government, in ensuring the collective role of the government as the ultimate decision maker within the executive branch. Figure 2.8 shows that the Cabinet meetings are the principal channels through which heads of government in OECD countries discuss policy issues. The experience of OECD countries shows that some ambiguity between the roles of the Head of the state and the government might in the long run undermine the effectiveness of the government as the head of the executive branch and a collective decision-making body and possibly undermine the lines of accountability. The dual loyalty of the executive before the Head of the state and Head of the government may create leverages for ministers to manoeuvre politically between the Head of the state and the Head of the government.

Figure 2.8. **Principal channels through which the Head of government discusses policy issues in OECD countries**



Source: OECD 2013 Survey of Centres of Government in OECD countries.

Box 2.14. **Summary of Germany's Federal Cabinet structure and functions**

The German Cabinet is made up of the Chancellor and – currently – 15 federal ministers. In principle, Cabinet meetings take place weekly, usually on Wednesday morning. The Cabinet is the final decision-making authority. According to the rules of procedure of the federal government, all matters of general domestic and international political, economic, social, financial or cultural importance have to be presented to the Cabinet for consideration and decision making, including:

- all draft bills;
- all draft ordinances of the federal government as well as other draft ordinances of outstanding political importance, all matters of relevance for the relationship to the legislative bodies (*Bundestag*, *Bundesrat*);
- initiatives, programmes of action, reports; and
- important personnel and promotions of civil servants.

The Cabinet usually decides consensually as a collegial body. The approval of the Cabinet is explicitly or implicitly asserted when no objection is raised. Any former disagreements between line ministries have to be settled before a draft proposal is submitted for Cabinet consideration. Formal voting in the Cabinet is thus very rare.

An important instrument for the preparation of Cabinet meetings is the regular meetings of the state secretaries of all line ministries, chaired by the Head of the Chancellery, which take place about two days before the Cabinet meeting. Here, all items of the agenda for Cabinet are discussed to iron out any remaining conflicts.

In contrast to many other countries, standing committees of the Cabinet in Germany do not play a major role in Cabinet decision making. There were a few for special subjects in the past but they met only occasionally. In practice, primarily only the Federal Security Council (*Bundessicherheitsrat*) is of political relevance. It deals particularly with arms exports. Its membership consists of the Chancellor, the Head of the Chancellery and a number of ministers and it meets for specific reasons. The Standing Committee on Economics meets to prepare the federal government's Annual Economic Report.

Below Cabinet level there are a few permanent groups of state secretaries, chaired by the Head of the Chancellery. These focus on specific issues like sustainable development (the so-called "Green Cabinet"), EU matters or bureaucracy reduction.

Source: OECD (2013), *Colombia: Implementing Good Governance*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264202177-en.

To this end, Kazakhstan may benefit from the following:

- Strengthening the role of the government as a collective decision-making body, which would serve as the primary platform for policy debates and decisions. A stronger role of government could position the country to focus setting the major policy priorities of the government and making choices within those priorities, as is the case in most OECD countries. Although it is essential to enable individual ministerial autonomy and accountability, decision making on framework issues becomes increasingly complex in a globalised world where the government needs to find the resources necessary to give effect to policy commitments under its national development strategies. This implies that responsibility for developing, assessing the relevance of, approving and monitoring the implementation of strategic decisions should be shared collegially among relevant players across the government, and not concentrated in a single decision-making authority. As such, the role of collective decision making on issues of strategic importance is critical to ensure collective ownership and accountability. Strengthening the role of the government as the platform for policy debate and the supreme collective authority on policy decisions in the executive may thus require:
  - Providing room for debating significant policy issues for the government, which may involve more frequent meetings and strengthening a system of Cabinet committees, which could study in great detail policy proposals and issues of an economic and social nature. For example, the general rule in most OECD countries is to hold a weekly Cabinet meeting, although in practice many countries hold more meetings than that (e.g. in Sweden there are up to 20 meetings a month).
  - Formalising the mandate of the government as the executive's final decision-making authority on whether to implement policy related to advancing the President's agenda. For decisions of strategic importance, the meetings of the government could be chaired by the President. The government could devote its attention to agenda-setting; monitoring and evaluating strategy setting and implementation; and performance assessment and accountability. This would leave the President as the state's final decision-making authority on advancing the government's strategic vision.
  - Creating a government committee structure, which would consist of relevant ministers. These committees could include both formal, standing committees and temporary or *ad hoc* sub-committees, which would report to the standing committees. Standing committees could be created on topics which have strategic importance to the country's development. Sub-committees could focus on single-sector or multi-sector policy issues of strategic importance. Since in many cases the government already has horizontal bodies (e.g. commissions and councils), it would be important to avoid duplication and consider if there is a need to replace existing structures by Cabinet committees. It would also be important to confirm a hierarchy in decision-making authority, including with the presidency and the government, to build greater coherence in whole-of-government strategy-setting, implementation and performance assessment. Should these committees be created, it would be important to codify their mandates (either in regulation or in law) in order to enhance transparency and public accountability in co-ordinating decision making.

- In addition, Kazakhstan may consider creating a small standing Committee on Plans and Priorities charged with medium-term planning and priorities, made up of the heads of the other standing committees. This committee could focus on linkages between strategic priorities being discussed in the standing committees and their sequencing for decision making, links between strategic priorities and whole-of-government operational capacity to implement them, and whole-of-government communications issues. This Committee on Planning and Priorities could also act as a filter between the standing committees and full government.
- Cabinet committees in turn could identify contending views and interests and attempt to resolve them prior to the formal decision-making process. Indeed, in OECD countries, cabinet committees are of increasing significance (e.g. New Zealand has 11 Cabinet committees, Canada has 6 and Germany 17; Manning et al., 1999). Currently in Kazakhstan, the government meets about once a month (additional meetings can be called by the Prime Minister or the President) and the practice of establishing Cabinet committees for more detailed consideration of specific policy issues is very limited. In addition, many policy decisions are taken at the level of the Presidency. At the same time, as noted above, it would be necessary to review some of the existing responsibilities of the Cabinet to safeguard against it becoming involved in the routine decisions of individual ministries, which could be made at the level of the ministry within its mandate.

Greater delegation of responsibilities from the centre could strengthen ministerial ownership and implementation

In Kazakhstan, strategic planning performs a core function of policy making in the country. Kazakhstan's officials are strongly committed to strategic planning as the framework to ensure policy coherence and overall direction for the work of the public administration. Kazakhstan's Vision 2030 and Vision 2050 are central government documents that serve as an umbrella for various initiatives, state programmes and strategies and provide direction for all ministries and agencies.

Yet, as will be discussed in Chapters 4 and 5, Kazakhstan may benefit from greater delegation of responsibilities from the centre to ministries in the strategic planning process, including the identification of priorities set out in high-level visions and messages of the President. This would require effective mechanisms for consultation, co-ordination and collaboration between the CoG, ministries and agencies and non-governmental stakeholders – including citizens – which would need to be strengthened in Kazakhstan. In addition, streamlining the strategic planning process and the number of strategic documents in Kazakhstan could help ground government activities in a few core priorities, which would enjoy greater buy in and ownership by key government and non-governmental stakeholders.

To build the required policy capacity in ministries so that they can assume increased responsibilities, greater resources should be allocated to horizontal and strategic policy work, including the promotion of key inter-ministerial policy initiatives in order to respond to anticipated needs and to ensure that the internal policy capacity of ministries is continually tested by external challenges. The centre should stimulate and co-ordinate policy development that has major horizontal and government-wide strategic implications. This can also be done through the creation of special ministerial posts

without specific ministries to highlight the importance of horizontal issues and complementing inter-ministerial committees of deputy ministers and other senior officials by special inter-ministerial task forces to enhance the collaborative development of horizontal and strategic policies (examples of this type of post come from Ireland, the Russian Federation's Minister of Open Government and the United Kingdom).

Box 2.15. **Division of responsibilities between the President and the Prime Minister/Cabinet of Ministers (government)**

The main constitutional powers of the President include:

- identification of the main directions of domestic and foreign policy in the annual address to the people of Kazakhstan;
- appointment of the Prime Minister with the consent of the *Majilis*;
- appointment of members of the government; of the Chairman of the Central Bank, the Prosecutor-General and Chairman of the Committee of National Security of the Republic of Kazakhstan with the approval of the Senate of parliament;
- definition of the structure of the government at the proposal of the Prime Minister; creation, abolition and reorganisation of central executive bodies that are not part of the government;
- creation, abolition and reorganisation of state bodies that report directly to the President; appointment and dismissal of the heads of these bodies;
- cancellation or suspension (complete or partial) of the acts of the Cabinet and of the Prime Minister, as well as, acts of the *akims* of the *oblasts*, the cities of republican significance and the capital;
- appointment of governors (*akims*) of *oblasts*, cities of republican status and the capital;
- on the recommendation of the Higher Judicial Council, submitting candidacies for a Chair and judges of the Supreme Court to the Senate;
- appointment of judges of local and other courts upon the recommendation of the Higher Judicial Council; and
- appointment and dismissal of the highest command of the armed forces and supervision of the armed forces (as Commander-in-Chief).

The main constitutional powers of the Cabinet of Ministers (government) include:

- development and implementation of the main directions of the socio-economic policy of the state, its defence capability, security and guarantee of the public order;
- presentation of the republican budget and a report on its implementation to the parliament, enforcement of the budget;
- introduction of the draft laws to the *Majilis* of the parliament and enforcement of laws;
- cancellation or suspension (complete or partial) of the acts of ministries, state committees, other central and local executive bodies of the republic; and
- appointment and dismissal of the heads of central executive bodies that are not part of the Cabinet.

Source: Constitution and federal laws of Kazakhstan and material provided by the public authorities and the National Analytical Centre of Kazakhstan.

Streamlining the internal administrative framework

OECD countries are increasingly focusing on reducing and streamlining the number of administrative regulations, orders and instructions, with the objective of strengthening innovation, flexibility and the rule of law in the public sector and beyond (e.g. Australia, Canada and the Netherlands). Kazakhstan's administrative regulatory system is in turn characterised by a high level of decrees, orders and executive orders emanating from various central agencies. While they may provide needed guidance and direction when necessary, the experience of OECD countries indicates that such an extensive yet highly fragmented system of regulations, instructions and reporting requirements emanating from different stakeholders can generate overlaps in reporting and monitoring requirements, thus imposing a high burden on ministries, detracting resources from delivery on their core mandates and hence reducing the value for taxpayers' money. This system may also create a burden on the decision-making and policy-making systems and use a lot of the time of ministries and officials at the CoG, as all of these have to be drafted, signed, fulfilled, reported and monitored.

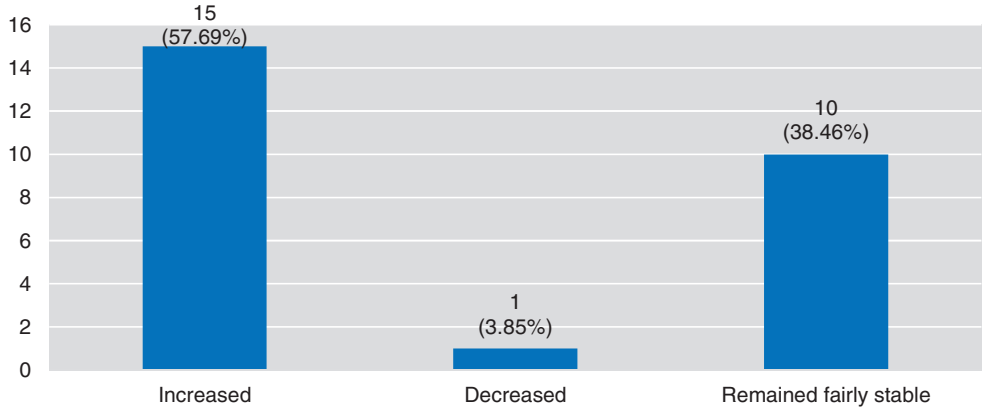
As noted in Chapter 5, top-down decrees and executive orders usually do not need to go through a serious analytical process at the ministry level and may create an expectation for issues to be addressed by a decision from the top. This may divert attention from serious policy work to quick solutions and a case-by-case approach and may create a culture of avoiding initiative and responsibility, which is difficult to sustain in the context of building a professional and high performing public service. The relatively high volume of commands can also make it difficult to follow them and create additional discretionary space, which can in turn lead to sub-optimal behaviour. At the same time, paradoxically, insufficient attention is paid to the Law on Administrative Procedure by Kazakhstan's ministries and agencies. Yet this law should serve as the overarching framework for all administrative action and administrative regulations.

As such, improving the efficiency and effectiveness of government programmes and establishing a risk-sensitive, results-focused management regime in the public service requires a strategic approach to providing central direction and guidance and administrative requirements. A careful balance is needed in providing central leadership for improvement and reforms, ensuring accountability and providing sufficient flexibility to ministries to innovate and deliver the highest quality services to the people. In this context, Kazakhstan would also benefit from reviewing an administrative burden not only on external stakeholders but also within the public sector. This would enable the ministries to take decisions on the basis of laws and policy of general application, and fewer on a case-by-case basis. Current efforts to provide greater autonomy to ministries would allow advancing this recommendation. Strengthening the Law on Administrative Procedure (e.g. clarifying procedures for resolving disputes among public organisations, including provisions related to the transparency of administrative decision making) and drawing the necessary attention to this law across the public service, could help build a culture of legality, integrity, openness and accountability. It could also reduce the need for multiple administrative requirements and empower ministries to develop ways for its effective implementation in their specific context. Finally, it would also be important to undertake a review of the law in the context of the general administrative reforms in Kazakhstan, which could be led by the responsible institution (i.e. the Ministry of Economic Development and Budget).[13] The OECD could also support Kazakhstan in the review and strengthening of the current law by bringing to the table good international practices and experiences.

Strengthening inter-ministerial and central agency co-ordination

Governments across the world, including those in OECD countries, are facing pressure to proactively respond to increasingly complex and horizontal policy issues, including the global financial crisis, climate change and natural disasters. The number of horizontal initiatives across governments in OECD countries have either increased or remained the same (Figure 2.9). This is taking place in a context of increasing expectations from citizens and businesses for quality public services within tighter fiscal constraints. To respond to these pressures, governments, both at the level of ministries and central agencies, are required to act jointly in a co-ordinated and collaborative manner across organisational boundaries. Joint and co-ordinated action helps to increase the efficiency and effectiveness of the public administration in implementing the strategic agenda of the government and respond to citizens' expectations.

Figure 2.9. **Changes in the number of cross-governmental policy initiatives in OECD countries, 2008-2012**

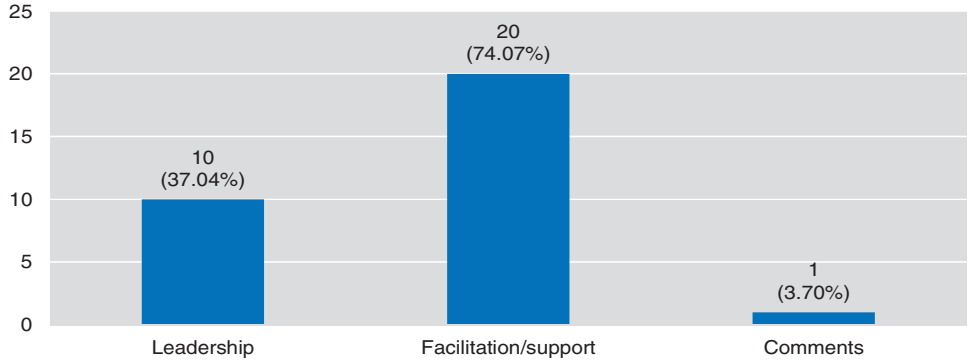


Note: Based on responses from 26 countries.

In this context, the ability of central agencies both to facilitate inter-ministerial co-ordination and to co-ordinate, co-operate and collaborate among themselves in developing and implementing central government-wide strategic direction is vital. Most central agencies in OECD countries tend to either provide leadership in or facilitate the implementation of cross-governmental policy initiatives, thus exerting either high or moderate influence on the willingness of ministries to co-ordinate (thus reflecting a balance between results-based oversight and ministerial empowerment).

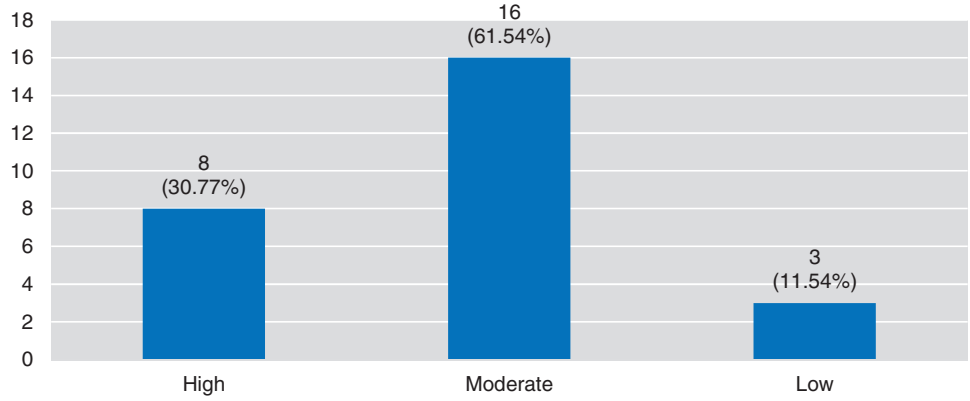
Co-ordination and monitoring activities are not operational activities but their aim is to ensure that government initiatives are on track, to support governments to achieve their political objectives and to help institutions responsible for sector policies to effectively carry out their action plans. Failure to achieve coherence creates a risk of inefficiencies, limited effectiveness, policy gaps and overlaps. Some of the incentives to promote co-ordination across ministries and agencies in OECD countries include using individual and collective performance targets (55%), financial (32%) or others (50%).

Figure 2.10. **Role of the Centre of Government in implementing cross-governmental policy initiatives in OECD countries**



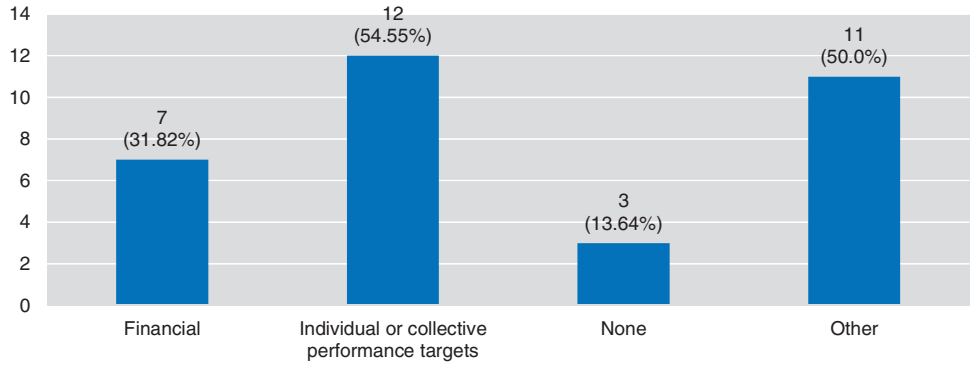
Note: Based on responses from 27 countries.

Figure 2.11. **Level of influence of the Centre of Government over line ministries to encourage them to co-ordinate with each other in OECD countries**



Note: Based on responses from 26 countries.

Figure 2.12. **Incentives to promote co-ordination across ministries and agencies in OECD countries**

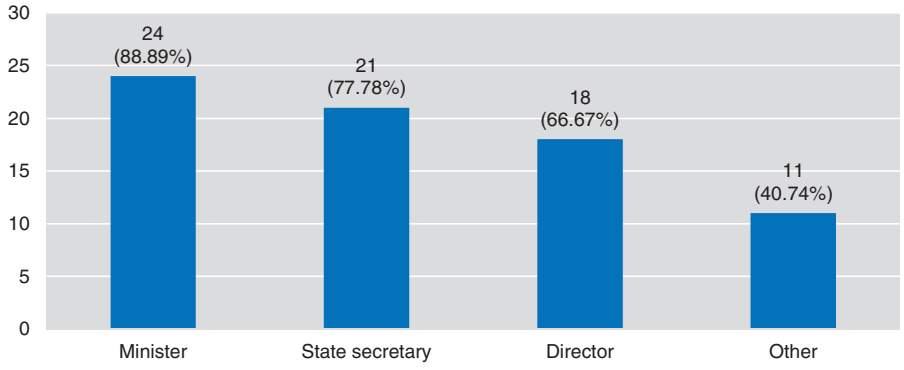


Note: Based on responses from 22 countries.

With regard to inter-ministerial co-ordination, central agencies are best placed to ensure policy coherence and advance strategic and long-term government priorities across the government by fostering the creation of inter-departmental networks and other co-ordination mechanisms. Most OECD countries tend to establish cross-governmental commissions at all levels of hierarchy to facilitate co-ordination (Figure 2.13). While countries differ significantly on the nature of these mechanisms and on which central agencies are involved in a co-ordination function, some of the elements included in a well-functioning co-ordination function in the management of strategic and horizontal issues include:

- identifying strategic and major horizontal issues and setting related systems priorities
- establishing mechanisms for inter-departmental collaboration
- providing substantive stimulation and challenge for departmental policy work
- facilitating system-wide consensus in problem definition and assessment of options by providing a platform and mechanisms for discussion (Deputy Ministers' Task Force, 1996)

Figure 2.13. **Level of cross-governmental policy co-ordination groups or committees**



Note: Based on responses from 27 countries.

Key features of this approach include horizontal co-ordination in policy design, including across branches of power. Although it was significantly restructured as a result of the latest reorganisation and the move towards greater ministerial autonomy, in Kazakhstan, horizontal co-ordination is facilitated by central agencies mainly through inter-ministerial commissions and committees (e.g. law-drafting commission, administrative reform commission), which are an important mechanism to ensure the information flow between ministries, as well as between the centre and ministries. These commissions are generally established to study issues and make propositions; co-ordinate between different entities concerned with a certain policy area; lay down policies, sector or activity; and ensure that the set policies are implemented. Commissions could be classified into two types:

- The first type acts as a steering committee (such as the Commission for Legislative Drafting). They provide strategic and policy direction, general frameworks for legislation and relevant systems and controls; they also propose laws and regulations. These committees comprise ministers of ministries relevant to the sector or policy area of the committee.

- The second type acts more as a technical body (such as the Commission on Research and Science). Members of these commissions include senior officials representing relevant ministries and/or government agencies, academia, civil society organisations or the private sector. These commissions are chaired by the Prime Minister, First Deputy and deputy prime ministers or ministers, and tend to be fairly high level. The decisions of the commissions are normally binding for all of its members.

The President has also put in place a range of presidential commissions and councils, involving ministries, external groups and experts. These are usually chaired by the President. The activity of these commissions is co-ordinated by the Secretary of State of Kazakhstan and, in some cases, by the Ministry of National Economy. While central agencies aim to promote co-ordination through these inter-ministerial commissions and councils, such wide use of high-level inter-ministerial bodies in Kazakhstan can be seen as partially resulting from the elevation of most issues requiring inter-ministerial collaboration to the top levels of the administration. This, however, may contribute to slower decision making, create some confusion about jurisdictional lines and, ultimately, affect implementation of reforms. At the same time, if ministries have a clear mutual interest in a horizontal project, co-ordination can work well in Kazakhstan.

Moreover, in Kazakhstan, advisory councils and committees, including those at the inter-ministerial level, tend to not be organised very systematically. While there are numerous committees and commissions, the approach to co-ordination appears to be very formalistic and provides few incentives for collaboration at the working level. Whilst inter-ministerial co-ordination and monitoring structures exist in principle, their role seems to consist of little more than formal high-level exchanges of information. Contacts between ministries at the working level are rare, including in the areas related to common objectives. This means that policy making is rarely joined up effectively across ministerial boundaries. As such, the CoG also has an important role to promote co-ordination at lower levels through facilitating a culture of collaboration and incentive structure. Indeed, the government seems to have recognised this challenge and is making initial efforts to streamline the current committees' and council's structure, including during the most recent government reorganisation in August 2014.

At the level of central agencies, achieving coherence requires a joint understanding of what government and ministerial performance means (both policy, programme and management performance) and what role each central agency has in ensuring this performance. This calls for strong, co-ordinated leadership among the central agencies to define and improve a system-wide performance in Kazakhstan. Yet, given the multitude of central agencies in Kazakhstan, effective co-ordination in the centre can also be quite costly both in terms of the transactional and opportunity costs. As such, further streamlining of the central agencies' architecture would allow for an effective approach to performance of central functions, including co-ordination among involved central institutions.

Moreover, co-ordination between representatives of the Chancellery and the Presidency could be further strengthened to avoid possible instances of duplication. All drafts laws submitted by the government to parliament are sent to the Presidency for review, yet, there is no requirement to consult on draft laws or initiatives introduced by the President. As such, Kazakhstan would strongly benefit from greater co-ordination between the presidency and the Chancellery, given that both the President and the government have rights of legislative initiative.

At the same time, central agencies in Kazakhstan have established detailed co-ordination procedures with other branches of power. Several units within the presidential and government offices are responsible for liaising with parliament and the judiciary. The President and Prime Minister appoint their "authorised representatives" to each chamber of parliament and the constitutional and arbitrary courts. The authorised representative of the government co-ordinates the government's submission of draft laws for consideration by the *Majilis*, and collection of official government input or reactions to draft laws, which must be distributed to all members of parliament during consideration of the measures. In addition, members of the government can attend and speak during the sessions of both chambers of the parliament and their committees and commissions, in accordance with established procedures. The Chancellery ensures representation of the members of government in court cases related to the government. There is also a representative of the President in each Chamber of parliament with a mandate to represent the views of the President in the legislative process and to co-ordinate a wide range of interactions with parliament, including the participation of the President in the legislative process. Greater linkages among these co-ordination points could help to further strengthen coherence of policy making in Kazakhstan.

Moving beyond co-ordination: Facilitating effective collaboration … at the inter-ministerial level

As in many OECD countries, while ministries in Kazakhstan tend to be structured so that there is a close fit between their mandates and the main issues facing the government, many policy issues cannot be easily compartmentalised along institutional lines (e.g. global warming, response to natural disasters, social exclusion and neighbourhood breakdown). The appropriate responses to these policy issues should necessarily involve multiple departments or levels of government. While there have been some improvements in collaboration across ministries in Kazakhstan, significant barriers between departments remain. These include:

- incompatibility of systems and other restrictions on sharing information across ministerial boundaries
- differing organisational cultures
- the division of whole-of-government budget into separate ministerial allocations
- public managers who only have experience within a single ministry
- accountability structures that focus mainly on ministry-specific issues

The fragmented nature of the government in turn may inhibit the tackling of problems and issues which cross departmental boundaries.

Central agencies play a critical role in promoting cross-ministerial collaboration by creating the incentive structure and culture that encourages joint solutions to horizontal issues. As such, to achieve a genuine joined up approach to public governance in Kazakhstan, the centre may utilise a wide range of formal and informal tools, such as formal and informal working methods and relationships, political and administrative levers, ownership of issues, and accountability and co-ordination mechanisms to promote greater horizontality.

While the complexity of government and the challenges it faces mean that there is no "one size fits all" approach to the management of inter-departmental relations and issues, building on the experience of OECD countries, Kazakhstan may consider strengthening mechanisms for horizontal collaboration in critical areas through:

- Recognising the interdependence of policy issues and working co-operatively across ministerial lines to develop stronger, more integrated policy responses at all hierarchical levels and throughout the full policy cycle. This would involve setting formal and informal, ad hoc or permanent working groups at all levels of the public service (which would not necessarily require ministerial or government approval). A useful example includes co-ordination councils (Annex B).
- Strengthening avenues for open, participatory and inclusive policy development to give citizens a greater say in policy making.
- Considering the creation of a number posts of ministers without portfolio, holding responsibility for a cross-cutting problem and a pooled budget to spend across the public sector. This would require pooling some of the political and financial capital for cross-cutting priorities on a horizontal basis. While the current legal framework in Kazakhstan, as in many other countries, does not foresee such possibilities it may provide for greater institutional mechanisms to enable government agility, responsiveness and collaboration to address increasingly inter-related challenges. For example, the President of Chile created the position of Presidential Commissioner for Indigenous Affairs within the Ministry of Presidency to co-ordinate and review indigenous policies. The purpose of this position was to develop a coherent and co-ordinated government action with regard to the indigenous population, which involved 12 different ministries and 10 regional authorities (Egaña, 2011).
- Establishing a policy community working in partnership with other levels of government on policy issues that cross jurisdictional boundaries (e.g. healthcare).
- Promoting networked collaboration through supporting and mobilising the policy capacity of the broader community of think tanks, businesses, academia, citizen groups and other stakeholders to advance strategic insight, fill knowledge gaps and validate policy direction.
- Introducing rotational programmes for policy and programme managers to give them multiple ministerial and central agency experience. Establishing reasonable time limits for every assignment (two to four years) could also enable policy continuity while advancing collaboration. OECD experience shows that such inter-ministerial rotational assignments can achieve collaboration-related results – such as developing participants' collaboration skills and building inter-ministerial networks. Similar programmes were introduced in Canada, the United Kingdom and the United States 3ajor Projects Leadership Academy in the United Kingdom. For example, leadership development in the UK civil service is managed via the Fast Stream programme. This is a rotational scheme that allows civil servants to take on a range of positions involving direct contact with the public, providing them with insight into the policy-making process and direct leadership experience. This is supplemented with formal training courses, regular feedback and performance reviews, mentoring, e-learning, volunteering and shadowing, as well as preparation for professional qualifications. The goal is to develop skills and knowledge in a wide range of areas which are crucial to leadership, such as

people management, commercial awareness, financial management, project and programme management, change management and digital delivery.[14]

- Strengthening accountability – political, administrative and social – which is critical to shape incentives for collaboration and effective joint action. In this context, it will be increasingly important to focus the conception and development of policy proposals on collective ministerial responsibility to serve the broader public interest and to work across institutional lines to develop the best possible policy. There must be a balance in fulfilling both individual accountabilities to their stakeholders and collective responsibilities to the broader public interest (see Chapter 3). This would require ensuring that where required, mandates and performance agreements of ministers and their deputies explicitly reflect the need to work together and with central agencies to manage government operations in a way that optimises the capacity of the government to set, implement and monitor the performance of the President's agenda and the government's Strategy 2020. Improving collaboration at this stage in Kazakhstan is particularly important in view of ongoing devolution and enhancing local autonomy, but it would be important to ensure that such devolution does not lead to even greater fragmentation. Local institutions may reflect the silos present in the central government.

Interviews and discussions with various governmental and non-governmental stakeholders revealed that joint work across central agencies was mainly issues based rather than strategic, taking a whole-of-government approach. Not unlike in OECD countries, each central organisation was seen as having its own requirements, sending different, sometimes conflicting and multiple messages about the required performance and how it should be achieved. Although there is strong direction from the centre in Kazakhstan, the joint action by central agencies is uneven. Moreover, limited flexibility is provided to the ministries to innovate and find different ways to address policy issues.

…at the central agencies' level

Moving ahead, it would be important to strengthen the understanding of the contribution of each central agency (including those line ministries that perform central agencies' functions) to advancing government-wide performance and to focus more strongly and collaboratively on advancing effective performance of government in Kazakhstan. While there are already examples of joint actions (e.g. assessment of the effectiveness of government organisations and identification of system-wide issues), it could be strengthened through systematic sharing of data, joint analysis and collaborative use of a variety of levers to enable government-wide implementation of core priorities and empowering ministries to deliver on their mandates. It may require some shared business processes such as joint data collection, designing capability reviews mechanisms, learning and development processes. As such, Kazakhstan may consider:

- undertaking regular meetings of central agencies' chief executives to define, discuss and identify actions to advance government-wide performance (e.g. the Committee of Senior Officials in Canada plays this role); and
- developing joint processes to plan, implement and evaluate activities of central agencies.

Recommendations

2.9. Strengthen the role of the government (Cabinet of Ministers) as a platform for policy debate and a supreme collective decision-making body in the executive.

2.10. Review administrative regulations emanating from the Centre of Government and review the competencies and authority of the government, ministries, subordinate organisations and sub-national levels of government. Strengthen provisions of the Law on Administrative Procedure in Kazakhstan and their implications.

2.11. Strengthen inter-ministerial and central agency co-ordination by encouraging working level contacts among ministries in the areas related to common objectives and among central agencies, including the Chancellery and the presidency (also see Recommendation 5.6).

2.12. Solidify mechanisms for horizontal collaboration among ministries, including through the creation of ministerial posts for cross-cutting issues, strengthening accountability frameworks for horizontal activities, developing rotational programmes for government managers and policy communities.

Notes

1. The Centre of Government can be defined as a "small set of institutions at the core of the central administration which have the authority, capacity and responsibility to lead the development of a strategic vision and direction for public policies and the effective implementation of this vision in practice and overtime" (OECD, 2013b).

2. There are currently 12 ministries and 1 agency, down from 17 ministries and 7 agencies prior to the August 2014 government reorganisation.

3. There is no formal term "central agency" or "Centre of Government" but these terms are generally used to designate organisations with a central co-ordinating role at the core of the central administration. They usually have authority over other public organisations, responsibility and capacity to lead the development of a strategic vision and direction for public policies and management. They are also responsible for the effective implementation of this vision in practice and over time. These organisations usually work with government ministries and agencies to provide advice to the President, Prime Minister and Cabinet and to ensure policy coherence and co-ordination on their behalf.

4. The former Ministry of Transport and Communications and former Ministry of Regional Development have been amalgamated under the Ministry of National Economy as part of the latest reorganisation of the government, which took place after the finalisation of this report in August 2014.

5. Importantly, while centres of government play a leadership role across most OECD countries, there are important differences between parliamentary and presidential systems. In its broadest sense, in parliamentary systems, the goal of central leadership is to provide guidance and co-ordination to ministers and their civil servants on strategy setting and implementation to ensure that the government can demonstrate

accountability to parliament, from which it emanates. In a presidential system, the purpose of Centre of Government leadership is to generate and sustain institutional accountability across the government, to ensure that the government can demonstrate accountability to the Head of state to whom it is responsible. Kazakhstan has a strong, centralised semi-presidential system. The assessment and recommendations reflect this important dimension.

6. The discussion in this section refers mainly to the central government and, in particular, the relationship between central agencies and ministries.

7. The description of units in OECD countries and beyond is based on the discussion in Alessandro et al. (2013).

8. Prior to the reorganisation of August 2014, the Ministry of Transport and Communication and the Ministry of Regional Development were also involved in organisational performance assessment. Currently their relevant functions have been amalgamated under the Ministry of National Economy.

9. In at least 18 OECD countries, the functions of the government office and Prime Minister's office are combined (James and Ben-Jera, 2004).

10. A similar review is also performed by the presidency, although at a more advanced stage. All policy and programme proposals to be adopted by the government are reviewed by the presidency with a view of ensuring policy coherence with the broader national vision and objectives. Moreover, draft laws prepared by the government are also reviewed by the presidency (respective policy units responsible for monitoring specific sectorial areas) prior to being submitted by the government.

11. Agencies reporting to the government include the Chancellery of the Prime Minister, the Statistics Agency, the Agency on Management of Land Resources, the Agency on Regulation of Natural Monopolies, the National Space Agency, the Competition Protection Agency, the Agency on Construction and Utilities Sector, the Agency on Religious Affairs, the Agency of Sport and Physical Training Affairs and the Atomic Energy Agency. Agencies reporting to the President include the Administration of the President, the Civil Service and Anti-Corruption Agency, the Accounting Committee, the General Prosecutor's Office, the National Security Committee, the National Bank, the Agency on Fight against Economic and Corruption Crime and the National Centre for Human Rights.

12. For example, in France, no agencies report to the President, while in Korea, the President has the following subordinate agencies: Board of Audit and Inspection, National Intelligence Service, Korea Communications Commission. In the United States, some of the main agencies reporting to the President include the Council of Economic Advisers, the Council on Environmental Quality, the National Security Council, the Office of Management and Administration, the Office of Management and Budget, the Office of National Drug Control Policy and the Office of Science and Technology Policy.

13. While a detailed review of the Law on Administrative Procedure is outside of the scope of this review, the law could be strengthened by including requirements for public service delivery as a form of administrative action, procedures to resolve conflicts between government organisations, a process for delegation of authority, strengthening the provisions with regard to the individual party's right to be heard, etc.

14. http://faststream.civilservice.gov.uk/about-fast-stream/career-paths.

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Chapter 3

Central functions in the government of Kazakhstan

The Centre of Government plays a crucial role in OECD countries, aimed at co-ordinating various state functions, managing public organisations, delivering results for citizens and distributing public resources effectively. In order to meet these goals, a Centre of Government must thus provide effective and efficient leadership and develop an external, citizen-oriented outlook. In this context, this chapter assesses the central functions in the government of Kazakhstan, including direction-setting and budget planning functions; setting the public sector management agenda; monitoring and oversight; strategic research; capacity building and strategic services; providing support to the political level; adjudication; budget planning and economic analysis. It offers concrete recommendations for streamlining the allocation of central functions, solidifying a culture of improvement and enhancing the efficiency of the Government as a whole.

Recommendations

Direction-setting function

3.1. Solidify linkages between the budget and strategic planning processes through maintaining close co-ordination between the Ministry of National Economy and the Ministry of Finance, providing a stable multi-year budgetary framework for ministries and introducing joint three-year ministerial plans on priorities and planned spending for parliamentary approval.

Setting the public sector management agenda

3.2. Streamline the human resource management responsibilities across central agencies and delegate greater responsibilities and build capacity of the Civil Service and Anti-Corruption Agency.

3.3. Strengthen the link between the human resource management function and the rest of government-wide public management functions at the level of the Centre of Government (by strengthening the links and interdependencies between related institutions, on human resources management, budget, strategy setting and financial management).

3.4. Streamline the Centre of Government's functions related to public service delivery, and strengthen the link between policy development, monitoring and implementation in this area.

3.5. Institutionalise additional management functions critical for a modern public administration, including an evaluation of the effectiveness of programmes and policies, integrated risk management and internal control and audit.

Monitoring and oversight

3.6. Reduce reporting requirements on public organisations through better central agency co-ordination and streamline and integrate performance monitoring processes.

Strategic research and insight

3.7. Strengthen strategic insight capacities and empirical basis for decision making in the Centre of Government by building capacity to conduct systematic monitoring of internal and external trends in the public sector, identify good practices, and current and future challenges for public policy and governance on a government-wide scale.

Capacity building and strategic services

3.8. Broaden the focus of the Academy of Public Administration to include responsibilities for leadership development and developmental programmes to facilitate the life-long learning and training of public servants, supported by a programme of applied research and knowledge management. Consider introducing developmental programmes for high-potential civil servants.

Adjudication

3.9. Strengthen arm's-length mechanisms to ensure the protection of citizens' rights and to resolve disputes and complaints (e.g. in the area of service delivery and access to information) in a fast, impartial and affordable manner, including through effective administrative justice to improve the transparency and predictability of decision-making processes.

Recommendations (*cont.*)

Further streamlining and reallocating central functions for enhanced efficiency

3.10. Review public management functions and their allocation across central agencies for greater coherence in the government-wide policy and management framework.

Solidifying a culture of continuous improvement in Kazakhstan

3.11. Expand the functional analysis of ministries to integrate an assessment of factual situations and capabilities, including the effectiveness, efficiency and capacities of ministries and agencies as well as a thorough identification of policy gaps and synergies, based in particular on international comparisons. In time, build permanent capacity to analyse the machinery of government (see also Chapter 5 for the related discussion).

3.12. Integrate a requirement for using the results of the evaluation of the effectiveness of programmes and policies within functional reviews.

Introduction

The Centre of Government (CoG) plays a crucial role in OECD countries, aimed at co-ordinating various state functions, managing public organisations, delivering results for citizens and distributing public resources effectively. In order to meet these goals, a CoG must thus both align its internal structure to provide effective leadership and develop an external, citizen-oriented outlook. In this context, this chapter assesses the central functions in the government of Kazakhstan, including direction-setting and budget planning functions; setting the public sector management agenda; monitoring and oversight; strategic research; capacity building and strategic services; providing support to the political level; adjudication. It also looks at ways of enhancing the efficiency of its central functions, and more generally, solidifying a culture of further improvement.

Aligning central government functions in Kazakhstan

While the functions of the CoG vary across OECD countries, the trend is to move away from a "secretarial" and inward-looking (supporting the processes of the executive branch) origins. Now the activities of CoG are becoming more open and "public-facing", including interactions with a wide range of non-governmental stakeholders. As such, functions related to policy co-ordination, policy analysis and strategic insight are being strengthened. For example, the capacity of CoG in OECD countries to develop political and economic intelligence has increased to enable rapid responses to socio-economic shifts in the external environment. There is also an increasing emphasis on strengthening policy and management intelligence (e.g. collection of good or successful practices), since governments need to identify both emerging issues and options for possible responses and solutions. Governments are also strengthening capacities to identify environmental shifts within the country (e.g. demographic and attitudinal) and the public sector (e.g. demographic, value shifts, public service culture). Figure 3.1 identifies some of the common functions found in centres of government. Table 3.1 shows the allocation of these functions across central agencies in selected OECD countries.

Direction-setting and budget planning functions

A direction-setting function usually involves developing a strategic vision to pull together long-term, "big-picture" objectives for the economy and society. This includes leading the design of the national development strategy and facilitating partner co-ordination around identified priorities. It also involves providing strategic direction and guiding planning to ensure that individual policies are consistent with the government's goals and priorities. Indeed, OECD governments increasingly find themselves called upon to engage in strategic planning activities, including ensuring whole-of-government approaches, as opposed to vertical silos. A whole-of-government approach is useful in maintaining congruence among the objectives pursued by different agencies and in aligning them with the top priorities. It also implies the need to focus on achieving a shared outcome, which should be established in a common vision. To be effective, particular attention must be paid to the articulation of a programme for action for the achievement of both short- and long-term objectives in the government's agenda

and efficient allocation of resources to deliver policies, programmes and services that are required to achieve these goals. This requires governments to put in place an effective strategic planning system/framework which would help the administration to translate strategic objectives into actionable programmes and services that are delivered to the citizens.

Figure 3.1. **Core functions of the Centre of Government**



OECD Public Governance Reviews show that the CoG plays a key role in facilitating co-ordination, collaboration and co-operation across the public administration, in order to secure development and implementation of a strong, coherent and collective strategic vision of where a country needs to go, and how it will get there. The experience of OECD countries shows that the CoG tends to be uniquely positioned to ensure that the system is well aligned to the government's most important goals due to its proximity to ministers collectively and its ownership and stewardship of whole-of-government management processes. These processes are usually used by the centre to communicate, reinforce and monitor the implementation of messages about whole-of-government priorities.

For example, in Chile, the CoG worked with the ministries to establish their goals, while acknowledging that it played a supporting and subsidiary role (Dumas et al., 2013). The United Kingdom sought to focus the strategic priorities through the creation of the Prime Minister Strategy Unit (PMSU; which existed until 2010). The purpose of the PMSU was to provide a cross-departmental joined-up perspective on strategic issues (Alessandro et al. 2013).

While Kazakhstan's CoG includes many of these functions, some further alignment and integration would be beneficial to maximise the efficiency, value for money and coherence of the direction provided across the government.

In Kazakhstan, the responsibility for strategy setting and strategic planning is divided among the President, government, Ministry of National Economy, Ministry of Finance and central and regional government organisations. In the presidency, the strategic policy function is dispersed across several policy units, including the Domestic Policy Department, the Department of State Control and Organisation of Territorial Operations, the Socio-economic Monitoring Department and the Foreign Policy Centre. The Centre for Strategic Studies and Analysis is responsible for co-ordinating policy input into the key strategic documents developed by the presidency, including annual addresses of the President and country development visions. The centre works closely with the Ministry of National Economy and is responsible for overseeing the strategic planning system, in its supporting role to the President in developing strategic goals for the country. The Ministry of Finance has recently been given a greater role in the strategic planning process, particularly in view of the recent transfer of the functions related to budget planning back to the Ministry of Finance. While such functional allocation may facilitate links between budget planning and execution, it would be important to maintain the connection between planning and resource allocation. This would be consistent with the commitment of the government of Kazakhstan to develop an integrated approach to planning, as also reflected in the 2013 Concept paper on strategic planning (see Chapter 4). The 2013 Concept recognises the need to strengthen the links between the budget and strategic planning, which would be important to implement in practice. In addition, while the co-ordination of the strategic planning process appears to be robust, and there is a provision on inter-ministerial co-ordination in the strategic plans, the general tendency is to implement the plans in silos by the individual government bodies (see Chapter 5).

Table 3.1. **Allocation of central functions across central government institutions in selected OECD countries and Kazakhstan**

Country	Direction setting, including policy advice, co-ordination and strategic planning	Government-wide public management agenda, including regulatory quality	Monitoring and oversight	Capacity building and strategic services to ministries	Strategic research and insight	Manage interface between politics and bureaucracy	Adjudication	Budget allocation	Economic analysis
Australia	Department of the Prime Minister/ Cabinet	Public Service Commission		Australia and New Zealand School of Government		Department of the Prime Mnister/ Cabinet		Finance Ministry	Treasury
Canada	Privy Council Office	Treasury Board Secretariat	Privy Council Office and Treasury Board Secretariat	Canada School of Public Service	Privy Council Office, Canada School of Public Service	Privy Council Office	Public Service Commission, Public Service Staffing Tribunal, Integrity Commissioner, HR Commissioner	Treasury Board Secretariat	Finance Ministry
Finland	Prime Minister's Office	Finance Ministry		Haus-Finnish Institute of Public Management		Prime Minister's Office		Finance Ministry	Finance Ministry
France	Prime Minister's Office/President	Budget, Civil and Public Accounts	Prime Minister's Office	École national d'administration/ Centre national de la fonction publique territoriale		Prime Minister's Office	Council of State/ administrative tribunals	Budget, Civil Service and Public Accounts	Industry, Finance, Economy
Korea		Ministry of Public Administration and Security		Korea Institute of Public Administration					
Netherlands	Ministry of General Affairs	Interior Ministry		Dutch Institute for Public Administration		Ministry of General Affairs		Finance Ministry	
New Zealand	Department of the Prime Minister/ Cabinet	State Services Commission		Australia and New Zealand School of Government		Department of the Prime Minister/ Cabinet		Treasury	
United Kingdom	Cabinet Office			Civil Service College		Cabinet Office		Treasury	
Kazakhstan	Presidency, Chancellery, Ministry of National Economy and Ministry of Finance	Presidency, Ministry of National Economy, Civil Service and Anti-Corruption Agency, Ministry of Finance, Ministry of Justice[1]	Presidency, Chancellery, Civil Service and Anti-Corruption Agency, Ministry of Natjonal Economy	Academy of Public Administration, Civil Service and Anti-Corruption Agency and Ministry of National Economy	Presidency (Centre for Strategic Research), Academy of Public Administration	Presidency, Chancellery	Civil Service and Anti-Corruption Agency/courts	Finance Ministry	Finance Ministry, Ministry of National Economy, Presidency, Chancellery

Note: 1. In August 2014, as part of the latest government reorganisation, the Ministry of National Economy amalgamated the functions related to regulatory management and e-government, formerly performed by the former Ministry of Regional Development and former Ministry of Transport and Communications, which aligns with the recommendations of this review.

Box 3.1. **Key players in strategic and annual planning in Kazakhstan**

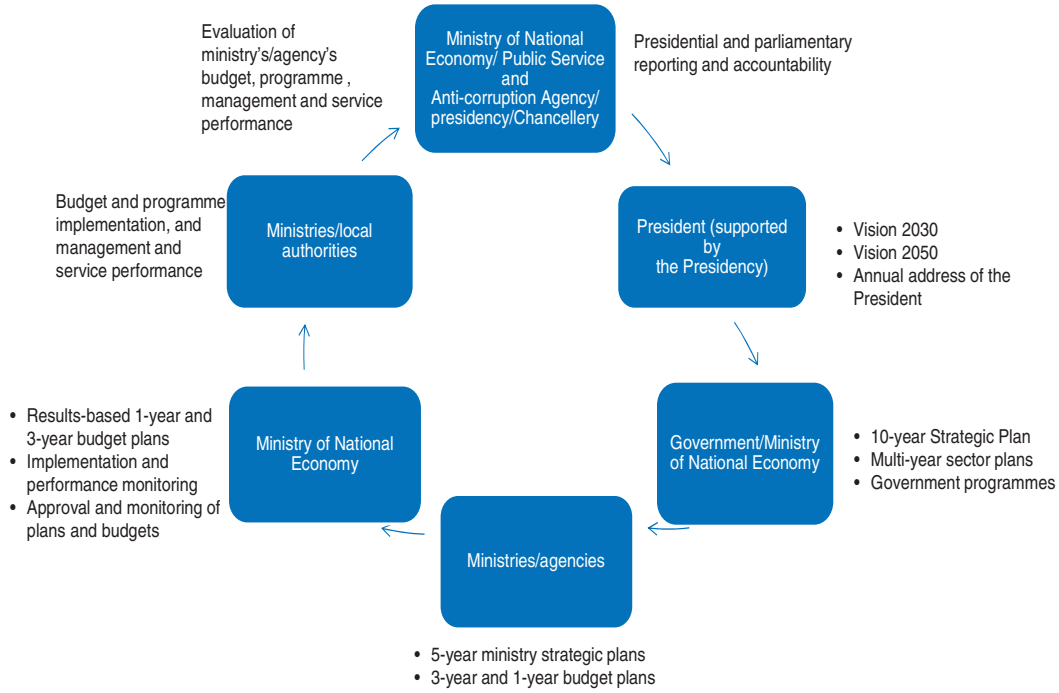
The key players in Kazakhstan for strategic and annual planning include:

- The President, who determines the main priorities for socio-economic development and provides external oversight of the strategic planning system.
- The Government, which is responsible for the implementation of the strategies and planning documents, and approves the long- and medium-term planning documents, methodological materials, and development and implementation processes. It also conducts monitoring of implementation and results.
- The Ministry of National Economy, which develops long- and medium-term socio-economic forecasts; is responsible for the development, monitoring and implementation of the Strategy 2020 and the Strategy of National Security of Kazakhstan, and preparing proposals for the improvement of the state planning system, including methodological support and monitoring the implementation of the federal programmes and projects; and provides internal strategic controls.
- The Ministry of Finance will now determine resource allocation in its capacity as budget planner, develops proposals on the improvement of the system of budget planning and participates in the elaboration of a forecast on the socio-economic development of Kazakhstan (functions shared with the Ministry of National Economy).
- Central and regional bodies, which implement the national plans and develop their own planning documents in accordance with these plans.

While Kazakhstan has clear processes for co-ordinating and setting out expectations about what ministries should be doing, as well as for undertaking quality control, analysis and co-ordination of strategic plans, a greater and more formalised role should be given to ministries in identifying priorities to feed the development of the government's comprehensive policy and management agenda and the strategic planning process. OECD experience shows, however, that even when ministries set goals, the role of the centre remains essential to ensure their alignment with government-wide priorities, avoid duplication, enable policy coherence and check whether the priorities are synchronised with the budget. The government's current efforts to empower ministries and provide them with more autonomy, introduced in August 2014 by the President's decree, indicate a clear step in this direction. For more discussion, see Chapter 5.

With regard to budget planning, the allocation of these functions varies in OECD countries. For example, Australia's finance functions are divided among the Treasury and the Finance Ministry, with the latter focusing on budget allocation and corporate functions. In Canada, the Department of Finance sets the overall fiscal policy, including the public spending envelope and spending priorities, while the Treasury Board of Canada Secretariat (which serves as a management board for the public service) sets the budgets for individual departments and agencies within the approved spending envelopes. The Treasury Board of Canada Secretariat also develops expenditure reallocation options as well as assessments of departmental proposals for new programmes.

Figure 3.2. **Strategic planning actors in Kazakhstan**



In Kazakhstan, in 2002, responsibility for the supervision and co-ordination of budget planning was given to the Ministry of the Economy, which was already in charge of defining a framework for strategic planning. In order to bring together the two types of projection, the ministry mandated the inclusion of a specific section (Section 7) on budget planning in strategic plans (this provision is currently being reviewed). However, it did not specify how the content of that section should be related to the goals and indicators set in the rest of the plan, so that in practice, ministries never made such a connection. In 2010, responsibility for budget planning was transferred to the Ministry of Finance in order to better connect it to tax collection and budget execution. But, as it gradually appeared that the link between planning and budget allocation remained difficult to establish and as the Ministry of Finance was not particularly equipped to address this gap, responsibility was returned to the Ministry of Economy in 2012, which is responsible for strategic planning. Finally, during the latest reorganisation in August 2014, the function of budget planning was returned to the Ministry of Finance. The Ministry of Finance is also currently responsible for developing and implementing budgetary policy, accounting and budget accounting, financial and budget reporting, accumulation of the state financial assets, and other property, except intangible assets. While assigning the responsibilities for budget planning to the Ministry of Finance can facilitate the link with budget execution, efforts will be needed to facilitate results-oriented resource allocation and its links with government priorities and plans. As such, it will be important to maintain close co-ordination between the two institutions, to avoid that both of them start developing associated functions which may lead to overlap, duplication, gaps and inefficiencies over time. Plans to introduce three-year plans on priorities and required resources could facilitate the links between budget and priority planning.

Recommendation

3.1. Solidify linkages between budget and the strategic planning processes through maintaining close co-ordination between the Ministry of National Economy and the Ministry of Finance, providing a stable multi-year budgetary framework for ministries and introducing joint three-year ministerial plans on priorities and planned spending for parliamentary approval.

Setting the public sector management agenda

In most OECD countries, a small set of central agencies are responsible for promoting sound management across the government and for setting and ensuring effective implementation of the government-wide key management, horizontal policies, including public administration reform and central HR policy, co-ordination of law drafting and better regulation policy, and e-government, fiscal, economic and legal policy frameworks. In some cases, direct actions by the centre are required, such as strategic workforce planning and managing and reviewing the expenditures of public organisations. In view of the evolving nature of central agencies, much of the responsibilities for day-to-day management have been delegated to ministries with the centre being responsible for ensuring accountability for results and quality of the implementation of the central direction.

In Kazakhstan, many issues related to public sector modernisation are co-ordinated by the Centre of Strategic Research and Analysis in the presidency, as well as other policy units in the presidency in their areas of responsibility. In addition, administrative and governance reforms are co-ordinated by the inter-ministerial Commission on Administrative Reform, led by the Head of the Presidential Administration of Kazakhstan, which aims to support collective decision-making process across the government.

Yet responsibility for various elements of the management agenda is dispersed across multiple institutions:

- In the area of human resources policy, at the central level the responsibilities are mainly divided between the President supported by the Civil Service Department in the presidency and the Agency for Civil Service and Anti-Corruption. The Presidency (Unit of Civil Service and Personnel) is responsible for advising the President on HRM policy in the public service, co-ordinating and overseeing the implementation of the HRM policy by government institutions, co-ordinating the establishment of the management reserve for the public service (political appointees) and of the HR arrangements for presidential appointees. The Agency, in accordance with the Law on the Civil Service, is in turn implementing policy processes in the area of public sector compensation, social and legal protection of civil servants, and standard eligibility requirements for administrative positions. It also administers the recruitment process and carries out the basic knowledge entry test required for all candidates – through the Civil Service Staff Management (SMC) that administers the tests. The rest of the process is delegated to ministries and departments, which carry out their own recruitment process essentially through panel interviews. The Civil Service and Anti-Corruption Agency also sets the basic regulations for career management, mobility and promotion of non-political appointees. Finally, the President's Office, Ministry of Finance and

Civil Service and Anti-Corruption Agency determine basic pay and the policy for attributing bonuses. The President's Office and Civil Service and Anti-Corruption Agency determine the broad conditions for dismissal, and the President's Office sometimes sets a target (recently done in exchange for salary increases).

- The new 2012 Public Service Law provided greater responsibilities and authorities to the Agency, including the oversight of the creation of HRM services, performance assessment, motivation management, mentorship and internship programmes. Currently, it is the primary institution responsible for the implementation of the unified HRM policy across the government. Yet the scope of the Agency's activities has also expanded beyond the human resource management of the civil service, including in the area of public service provision and the organisation of state services. For those responsibilities, and when faced with the challenge of implementing the concept note, these tasks appear difficult to manage considering the current size and capacities of the Agency. Delegating greater responsibilities to and further strengthening and consolidating the capacities in the Agency for HRM policy making would enable the HRM function to be better streamlined and allow the Presidency to focus on more strategic priorities.
- Indeed, while the Agency is responsible for the implementation of the HRM function across the government, it currently serves as an oversight body reporting directly to the President. Yet much of the strategic planning and management across the ministries is managed by the government as a collective body, thus creating a disconnect between HRM and the other management functions. This may create an impediment for positioning HRM in the public sector as a strategic resource and linking it to strategic planning, including on a whole-of government basis. To move forward and to link HRM considerations with resource allocation and the strategic objectives of the government, it may be important identify ways to strengthen the link between HRM and the other management functions. OECD experience offers some options. First, Kazakhstan may consider expanding the role of the Civil Service and Anti-Corruption Agency to take on a strategic HR role more directly with ministries as, for example, is the case in the Office of Personnel Management in the United States (Box 3.2). Alternatively, similar to the Canadian model (Box 3.2), Kazakhstan may consider creating a separate strategic HR unit in the Chancellery of the Prime Minister or the Ministry of National Economy that would be responsible for implementing strategic HRM linked to organisational performance across the government. In this case, the Agency would primarily focus on performing its oversight role to ensure merit-based processes in HRM, including appointments to the public service, employment equity and official language provisions, considering appeals against appointment decisions made by the executive bodies and undertaking other staffing audit and monitoring activities.[1]
- In relation to setting a government-wide policy related to the quality of public service delivery (both external to citizens and internal to other government departments), the Ministry of National Economy has the lead role. It has been responsible for the development of the new Law on Service Quality that came into force in spring 2013 and for setting service standards. Related policy responsibilities on public service delivery are located in the Presidency (oversight) and the Civil Service and Anti-Corruption Agency (monitoring and

assessment of the quality of public services). In addition, the Ministry of Transport and Communication used to be responsible for policy development in the area of e-government, e-service delivery and one-stop shops (currently these functions have been transferred to the Ministry of National Economy, which provides a step in the direction recommended in this review). While the current set up could have been effective in the context of fast reforms in Kazakhstan over the last decade, over time it would be important to consider streamlining the functions related to public service delivery and strengthening the link between policy development and implementation. This would allow ensuring that the feedback from assessments of service delivery is automatically used for the improvement of service standards and vice versa – assessment methodologies could be simultaneously improved and adjusted with the changes in service standards.[2]

Box 3.2. **The Canadian and American models of human resource management**

The Office of the Chief of Human Resources Officer (OCHRO) of Canada is the representative of the government of Canada on all human resources issues, such as pensions and benefits, labour relations and compensation. Its mandate is to make and promote policies and programmes concerning human resource management in the Canadian government, focusing on staff training and development, employment equity, official languages, labour relations, values and ethics, public service renewal and leadership development.

The OCHRO is housed under the Treasury Board Secretariat, and thus an integral part of the Canadian government, even though it operates with its own staff. The reasoning behind this structure is that human resources activities can be more efficiently and effectively managed by centralising all functions into one agency, all the while maintaining its ties with the executive functions of government.

The United States' Office of Personnel Management (OPM), on the other hand, is more autonomous, as it is an independent agency of the US government. This means that it exists outside of federal executive departments and thus, while it is technically part of the executive branch of government, it is independent of presidential control, which gives it greater latitude of action.

The OPM's mandate is to provide human resources, leadership, management and support to federal agencies, as well as to facilitate applications for federal jobs. It oversees all policies created to support federal human resources departments (classification and qualification systems, hiring authorities, performance management, pay, leave, benefits, etc.) and their implementation. Moreover, it enables access to high-quality healthcare and insurance programmes, government-wide administration of retirement benefits and services.

- Indeed, the possibility of creating a single body responsible for ensuring the quality of public services, including standard setting, assessment and oversight, was considered during the development of the Law on Public Service Delivery. At the time, it was decided to maintain the functional separation of responsibilities among the different public agencies. Yet, as Kazakhstan will be looking for further opportunities to improve the efficiency and effectiveness of the public service, it may consider re-visiting this division of responsibilities, which are currently set out in the Law on Public Service Delivery. In particular, Kazakhstan may consider consolidating functions related to strategy and policy development in this area (currently located in the Ministry of National Economy) and those related to monitoring and assessment of the implementation of service

standards by ministries and agencies (currently performed by the Civil Service and Anti-Corruption Agency). As discussed elsewhere in this report, the optimal location of these functions would be in a proposed institution in charge for designing and implementing the public management agenda for the whole of government. Ideally, this institution would also be in charge of the policy functions related to e-government and e-service delivery, maximising the use of ICT potential across the government and connecting it to the overall management and reform agenda.

- Priorities for public governance and management reforms are identified by the Ministry of National Economy, which is also in charge of developing proposals for public governance. The Presidency (Centre for Strategic Analysis), jointly with the Centre for Assessment of Effectiveness under the Ministry of National Economy, can also identify needed improvement based on the assessments of the quality of management of public organisations in Kazakhstan. Proposals for reforms are also generated by the Agency of Civil Service in the areas of HRM and service delivery. In addition, the Ministry of National Economy will now be responsible for making improvements in the area of e-government and one-stop shops (this responsibility was previously allocated to the former Ministry of Transport and Communications). By transferring some of the functions to the Ministry of National Economy, the government has reduced some of the fragmentation which was present in the allocation of public management functions. In addition, some of the responsibilities for public management reforms located in the Civil Service and Anti-Corruption Agency could also be relocated to the Ministry of National Economy as a current body in charge of wider government reforms.
- In the area of regulatory management, the former Ministry of Regional Development and the Ministry of Justice have been key players in regulatory management with the Office of the President supervising the processes of policy development and drafting of new legislation (currently the functions of the Ministry of Regional Development on regulatory management have been transferred to the Ministry of National Economy, which provides a step in the direction recommended in this review). The Ministry of Justice oversees the rule-making process and plays a key role in promoting legal quality. Currently the Ministry of National Economy is leading the policy for the simplification of administrative burdens, which has been promoted over the past few years and focused on the elimination and simplification of licences and the inspection system (formerly performed by the Ministry of Regional Development). The Institute of Legislation and the Institute of Economic Research support ministries in the rule-making process, particularly with respect to impact assessment of new regulations. Yet, as noted, in the *OECD Regulatory Policy Review*, experience of OECD countries shows that having an institutional structure located as close as possible to the centre is important to spread good regulatory management across the administration and oversee government-wide implementation of regulatory reforms in reducing red tape.

Overall, the latest government reorganisation, which took place in August 2014, consolidated policy-making activities related to the management and administration of government institutions (e.g. HRM, service delivery, performance measurement and evaluation, financial management, public procurement, integrity, openness, transparency, etc.) in fewer institutions, which aligns with the experience of OECD

countries (Box 2.8). Currently the Ministry of National Economy has been well positioned as an institution which could support the development of a coherent management agenda and serve as a management board for the government of Kazakhstan, while still leaving room for independent oversight. Current consolidation of management and governance functions should also provide the necessary momentum for reform of Kazakhstan's public sector. As mentioned, in Canada, following the 1994-95 Programme Review, the Treasury Board was designated as the government of Canada's management board with the focus of helping departments and agencies improve their management practices. The Treasury Board was responsible for the implementation of the new government management agenda and a framework, "Results for Canadians", which focused on the following four areas: focusing on citizens in its design, delivery, evaluation and reporting on activities; managing under the highest professional and ethical values; achieving results and reporting them in simple and understandable ways; and spending responsibly (Office of the Auditor General of Canada, 2004).

Table 3.2. **Institutions responsible for setting the management agenda in Kazakhstan**

Elements of the management agenda/ central agencies in Kazakhstan	Administration of the President	Chancellery of the Prime Minister	Civil Service and Anti-Corruption Agency	Ministry of National Economy	Ministry of Finance	Ministry of Justice	Academy of Public Administration
Human resources management	X		X				
Service delivery	X		X	X			
Public governance	X	X	X	X			
Regulatory management		X		X		X	
IT management and e-governance				X			
Legal						X	
Financial management				X	X		
Programme evaluation							
Risk management							
Internal control-comptrollership							
Professional development and research			X				X

Finally, conditions are ripe in Kazakhstan to introduce and institutionalise additional management functions found in most advanced OECD countries (based on the framework for sound management), which could be assigned to the organisation entrusted for promoting management and governance reforms:

- Evaluation of policy and programme effectiveness: Currently, the Ministry of National Economy undertakes an assessment of the implementation of state programmes every three years, which provides an important foundation for decision making with regard to course correction and monitoring of implementation. In addition, the CoG of Kazakhstan could provide government-wide leadership for introducing effectiveness evaluation which would focus on assessing the impacts of government programmes and policies. The centre could provide advice and guidance in the conduct, use and advancement of evaluation practices. It could also encourage the use of evaluation findings across the government, including central agencies, and link to the

decisions about the continuation of government programmes and policies and improvement of programme efficiency and effectiveness. Most advanced OECD countries use effectiveness evaluation of programmes and policies as part of the mainstream decision-making cycle, to decide on the continuation or improvement of programmes or policies (see Box 3.9).

- Risk management: As acknowledged, in the General Approaches to Modernisation of Public Administration by 2020, Kazakhstan may benefit from establishing a more institutionalised and integrated approach to risk management in the public sector. This would enable the government to incorporate integrated risk management in both its day-to-day management and its setting of strategic direction. For example, in the Canadian public service the approach taken to integrated risk management involves incorporation and alignment of risk management with business planning, the setting of objectives, decision making and other management activities of the organisation. It considers environmental, strategic, operational and financial risks across the organisation and management's assessment of the effects of associated hazards and uncertainties on the objectives of key stakeholders (see Box 3.3). If Kazakhstan were to develop a system of integrated risk management, it would be critical to empower ministries to develop their own risk management plans and assume the responsibility for what is done in and by their employees. The role of the CoG (and preferably an integrated management board) could be to establish a broader framework for risk management, provide guidance on implementing a risk management policy in the departmental context and promote a systematic government-wide approach to risk management. See Chapter 5 for further discussion on risk management.

- Internal and financial management control (comptrollership): While there are internal audit functions, there does not seem to be a comptroller function at the government-wide level. In the experience of OECD countries, having a function responsible for ensuring overall control of the public purse is critical to achieve value for money and efficient spending of taxpayers' money. This function differs from the external audit function in that it supports the government in ensuring sound financial management. For example, the Canadian government established the Office of the Comptroller General (OCG) to report to the Treasury Board on the quality of financial management, programme evaluation and internal audit in government departments. The mandate of the OCG includes:

  - providing functional direction and assurance for financial management, internal audit, investment planning, procurement, project management and the management of real property and material across the federal government; and

  - ensuring that sound policies, standards and practices are in place, overseeing performance and compliance across government, and maintaining and building vibrant professional communities through a range of recruitment and development activities (Office of the Comptroller General, 2013).

- A recent review of the comptrollership function in the government of Canada identified four key elements of modern comptrollership: integrated performance information (financial and non-financial, historical and prospective); a sound approach to risk management; appropriate control systems; and a shared set of ethical practices and organisational values, beyond legal compliance (Office of

the Auditor General of Canada, 2004). The Office of the Comptroller General of Canada also leads the development of the financial management community through professional standard-setting for financial managers in government, and the development of training and development programmes for the financial community. The Office of the Comptroller General's report on The State of Comptrollership in the Government of Canada (2011) provides a useful summary of good practices in strengthening the financial management function in an OECD government. Providing government-wide direction on excellence in financial management and financial control in Kazakhstan could provide assurance on the appropriate oversight and the stewardship of taxpayers' money and government assets.

- The internal audit function could also be located under the general comptrollership function and could be moved from the Ministry of Finance. Moreover, it would be important for Kazakhstan to strengthen the professionalism of the internal audit function to ensure that internal auditors have solid expertise to provide the necessary assurance of the quality of financial management and the organisational leadership. Professionalising this function could have a positive impact on the quality of internal audits. The role of internal auditors should be limited, but they should be positioned very close to the leadership of the organisation. The focus of the work should be on the major risks inherent in financial administration and ministry policies. Modern internal audit also encompasses a more comprehensive approach to audit review, including value for money analysis. The role of the CoG in this context would be to provide direction and set government-wide standards for internal audit.
- Privacy, transparency and information management: This includes functions related to managing information, including administration of the Access to Information Act which obliges all government organisations to post information in the public domain. In addition, overtime, Kazakhstan may benefit from consolidating in the centre policy functions related to e-government to ensure the effective management of the IT system in government, to promote the integration of IT systems across ministries to enable integrated service delivery solutions, and to strengthen alignment of the government's information technology with its business activities.

Box 3.3. **Responsibilities for integrated risk management in the government of Canada**

The Treasury Board Secretariat:

- communicates and explains integrated risk management
- provides guidance, training and a centre of expertise to support integrated risk management and reporting on best practices
- provides the Treasury Board Cabinet Committee, other central agencies and parliament with risk management information and advice appropriate to their responsibilities
- examines and evaluates periodically the effectiveness of integrated risk management government-wide
- monitors and reports progress.

Box 3.3. **Responsibilities for integrated risk management in the government of Canada** (*cont.*)

Deputy heads:

- set the tone from the top that systematic and integrated risk management is valuable for understanding uncertainty in decision making and for demonstrating accountability to stakeholders
- determine the best way to implement integrated risk management in their organisations
- ensure from a corporate perspective that risks are prioritised and appropriate risk management strategies are in place to manage the identified risks
- ensure that the capacity to report on the performance of the risk management function is developed and working effectively.

Senior management in departments:

- integrates risk management into overall departmental strategy and management frameworks
- provides managers and employees with training and learning opportunities to build the required competencies
- allocates resources for investment in more systematic risk management.

Middle management and specialists in departments:

- integrate risk management into their decision making
- ensure ongoing operational and corporate action, planning, training, control, monitoring and documentation of risk management
- ensure that policy and related advice, guidance and assistance are in line with central agency and departmental policies on risk management and with senior management's objectives
- identify and assess risk and the effectiveness, efficiency and economy of existing measures to manage risk
- design and implement tools for more effective risk management.

Internal audit:

- provides assurance to deputy heads on the adequacy of their departments' assessment and management of risks.

Source: Treasury Board of Canada Secretariat (2001), "Integrated Risk Management Framework", Treasury Board of Canada Secretariat, Ottawa, Ontario, April.

Recommendations

3.2. Streamline the human resource management responsibilities across central agencies and delegate greater responsibilities and build capacity of the Civil Service and Anti-Corruption Agency.

3.3. Strengthen the link between the human resource management function and the rest of government-wide public management functions at the level of the Centre of Government (by strengthening the links and interdependencies between related institutions, on HRM, budget, strategy setting and financial management).

Recommendations (*cont.*)

3.4. Streamline the Centre of Government's functions related to public service delivery and strengthen the link between policy development, monitoring and implementation in this area.

3.5. Institutionalise additional management functions critical for modern public administration, including effectiveness evaluation of programmes and policies, integrated risk management and internal control and audit.

Monitoring and oversight

Central monitoring and oversight functions are critical to enable results-based accountability and course correction, given that the CoG is ultimately accountable for overall results and the effective implementation of delegated responsibilities. Associated data collection and reporting are essential to support decision makers in finding sound policy choices and demonstrate value for money and transparency. As mentioned in Chapter 2, some countries are creating special units to follow the implementation of key priorities. For example, in Chile, the government established the Presidential Compliance Management Unit to monitor progress on key strategic priorities, raising red flags when targets were at risk of not being met. The United Kingdom has introduced a Major Projects Authority to oversee the implementation of big projects in the government (Box 3.4). Performance monitoring units are also found outside OECD countries, including in Indonesia (Presidential Unit for Development Monitoring and Oversight, UKP4), Malaysia (Performance Management Delivery Unit, PEMANDU), Thailand (Office of Public Sector Development Commission) and India (a Delivery Unit in the Prime Minister's Office and a Performance Management Division in the Cabinet Secretariat).

Yet, OECD experience shows that it is important to maintain a balance between oversight and data collection needs and efficiency, as multiple and frequent requests may generate fatigue and inefficiency across the public sector and may divert resources away from delivering the programmes and services that benefit citizens. In this context, OECD countries are increasingly moving towards risk-based monitoring and accountability for results, which require access to good quality data and robust evidence. There is also a trend towards reducing and consolidating reporting requirements across central agencies, which also calls for interoperability of data collection and administrative systems.

Kazakhstan has developed an extensive monitoring system by central agencies to ensure the implementation of the government's priorities. Routine monitoring of the implementation of policies and legislation as well as presidential and Prime Minister's instructions is undertaken by both the Presidency and the Chancellery. The monitoring of government decrees and instructions is done primarily by the Chancellery of the Prime Minister.

In addition, designated monitoring departments in the Presidency and the Chancellery are responsible for ensuring overall control of implementation of the President's and government's decisions and priorities.[3] The Presidency focuses on overseeing activities of government institutions and monitoring regional performance. It monitors the implementation of the President's priorities, such as those set out in the annual address or presidential decrees. It also ensures that the laws and decisions of regional governments are in accordance with federal policies and legislation.

Box 3.4. The Major Projects Authority and the Major Projects Leadership Academy in the United Kingdom

The Major Projects Authority (MPA) is a new body which was set up in the United Kingdom in 2011 to try to improve performance across major government projects in delivering on time and on budget. The MPA was established to work in collaboration with central government departments to help the UK government get firmer oversight of its major projects; to correct for uneven cross-governmental understanding of the size and cost of the major project portfolio; and to ensure that a budget, a business case and realistic delivery timetables for Major Projects are agreed on at the outset of the project.

The MPA functions as a partnership between the Cabinet Office and HM Treasury, and its role is to:

- develop the government's major projects portfolio, and, in collaboration, with departments provide verified, timely data, with regular reporting to ministers;
- require, review and approve integrated assurance and approval plans for each major project or programme;
- carry out assurance reviews where there is cause for concern and ensure that departments co-operate to take action to address any issues raised;
- escalate issues of concern to ministers and accounting officers;
- intervene directly where projects are causing concern, providing additional assurance or commercial and operational support;
- make a starting gate review, or equivalent, mandatory for all new projects/programmes to assess deliverability before project delivery gets underway;
- work with departments to build capability in project and programme management, including the nomination of suitably senior and experienced officials to act as reviewers on high-risk projects and programmes at least once every 12-18 months;
- require publication of project information consistent with the Coalition's transparency agenda; et
- collaborate with departments to publish an annual report on the government's major projects.

The MPA will be supported by the Major Projects Leadership Academy (MPLA), set up by the Oxford University Said Business School to provide dedicated training to project leaders across government in order to reduce the over-reliance on expensive external consultancy and build expertise within the civil service. Senior leaders working on projects such as the Olympics or the new high-speed railway, High Speed Two, will be the first to benefit from this programme, and in future, no official will be able to lead a major government project without completing the academy.

The training programme concerns 2 groups of about 25 people and takes place over one year, covering three major themes: major project leadership, technical understanding of major project delivery and commercial capability. An assessment of competencies at the beginning of the year ensures that individual learning priorities are taken into account over the course of the year.

Source: www.gov.uk; University of Oxford website: www.ox.ac.uk.

In addition, several ministries, which are responsible for different governance areas, support the monitoring undertaken by the Chancellery and the Presidency, including data

collection to assess compliance with central regulations and the presidential, governmental and Prime Minister's decrees and instructions. For example, the Ministry of National Economy collects data on the implementation of strategic plans and assessment of effectiveness of activities of public organisations. Oversight of public service delivery, anti-corruption, HRM policies and civil service reforms, budget and e-government implementation is divided among the Ministry of National Economy, the Civil Service and Anti-Corruption Agency, the Ministry of Finance and the Ministry of Justice. Presidential and governmental commissions also have monitoring powers and responsibilities to ensure the implementation of the broader priorities of the government.

While legitimate and important, fragmented and heavy oversight may create significant fatigue on departments and lead to inefficiencies and overlaps (see section on reporting requirements). To this end, Kazakhstan may consider consolidating monitoring[4] and reporting requirements, which could align with the proposed streamlining of the institutional framework, to ensure a clear direction and aligned monitoring efforts, focused on results, based on a coherent and comprehensive management framework, establishing clear accountability, legality and propriety. As noted above, Kazakhstan may further align institutions responsible for setting the policies in specific management fields and those that monitor their implementation across the government (e.g. public service). This could simplify the data collection processes, reduce the burden on departments and enable the feedback loop between policy setting and its implementation on the ground. If Kazakhstan were to establish a consolidated institution responsible for the overall management of the public sector, this could support the consolidation of reporting requirements and facilitate closer links between policy setting, monitoring and reporting. The responsible central agency would be in charge of drawing to the attention at the political level on actual or potential management performance issues at the ministry level and of recommending whether or not to take action. This form of the oversight could stay at a high level and not involve the day-to-day management of a ministry, as it may dilute the accountability of the executive secretary and deputy ministers or ministers. Some interventions from the centre may take various forms, including informal follow-up, external audits or other investigations, and direction on specific preventative or remedial action to be taken by the ministry.

Moreover, there are also important gaps in the oversight framework. While the Civil Service and Anti-Corruption Agency monitors qualifications, staff reserves, certain regulations and base pay, there is very limited oversight, including of the mechanisms ensuring the meritocracy of recruitment decisions and the allocation of individual bonuses. There is mandatory reporting on the staffing process, but the framework leaves room for major shortcomings in the recruitment. Weaknesses in guidance and oversight lead to opacity in the attribution of bonuses, allowances and housing.

Finally, as noted in Chapter 2, in all OECD countries parliaments play an important oversight role to ensure value for money and delivery of results for people, including through government performance reports. In Kazakhstan, the role of parliament remains limited in this regard. To strengthen government accountability for results, Kazakhstan may consider strengthening the role of parliament, including through the submission of ministerial plans and priorities linked to their budgets ("political statements" by ministries), currently discussed in Kazakhstan as part of the General Approaches to Modernization of Public Administration by 2020, and the preparation of a government-wide performance report, which could report both on the achieved results for the people of Kazakhstan and on the expenditures of public funds. For further discussion, see Chapter 4.

Box 3.5. KOSTRA: Data reporting and information system in Norway

KOSTRA is an information system for conveying data: from Norwegian municipalities to the central government, between municipalities and to the public. The introduction of KOSTRA in 2001 brought significant changes to the collection, processing and dissemination of statistical information by local governments.

Previous to the development of KOSTRA, Norway's information-gathering system was organised by themes which reflected the responsibilities of the various ministries in the central government. This approach to collecting data was not very efficient. Moreover, the data were time consuming to process and report, difficult to use at the local level and placed a heavy administrative burden on municipalities.

Today the central government combines financial data, data on services and socio-demographic and demographic data into key indicators for use at the central and sub-central levels. Whereas the lag between collection and reporting was approximately one year under the previous system, today data are collected electronically and reported within one month. While collection previously placed a high administrative burden on local authorities, the more efficient use of data, combined with effective electronic reporting, has contributed to more efficient data collection.

The development of KOSTRA has been, and remains, a collaborative process. An important motivation for the changes was to make the production of information more effective for both central and local governments. As such, representatives from both levels played an active role in developing the new system. Today, KOSTRA is overseen by a government-appointed commission, along with 16 task forces that focus on the different areas of data collection which make up the overall system.

Various types of data are collected and reported via KOSTRA. Most are objective data from the sub-national level. Combining these data provides key indicators on financial figures, productivity, coverage rates and priorities. These key indicators are aggregated at three levels. At the municipal level there are approximately 40 key indicators and an additional 1 000 indicators covering 16 service areas. The primary data from which the aggregates were developed are also available for interested parties to construct additional indicators of their choosing.

While KOSTRA has brought benefits to both the central government and sub-national authorities, there are limitations to the current system. First, the large amount of data collected makes ensuring quality challenging. Second, there is a tendency for the central government to request more and more data, causing both the administrative burden and the costs of data collection to rise in municipalities. Municipalities also receive much more data than in the past.

Overall, KOSTRA has been perceived as a very successful information system with potential for further refinement. Looking forward, its focus will be on collecting data regarding the quality of public services and developing indicators of quality. "Soft data" collected outside of KOSTRA (e.g. test scores, reading proficiency and user satisfaction for various services, etc.) are gradually being used in combination with data from the KOSTRA system. This will permit policy makers and citizens to assess outcomes as well as outputs. Norway is also working on developing a similar system for state service providers. KOSTRA may thus benefit from improvements in methodologies and reporting that will be built into the new system.

Source: OECD (2006), "Workshop proceedings: The efficiency of sub-central spending", OECD Fiscal Network Workshop on Performance Indicators and Local Government Collaboration, OECD Network on Fiscal Relations across Levels of Government, Paris, internal document.

Recommendation

3.6. Reduce reporting requirements on public organisations through better central agency

co-ordination and streamlining and integrating the performance monitoring processes.

Strategic research and insight

A critical element of an effective functioning of the centre is the strategic foresight function and preparing for future challenges, which involves undertaking environmental scanning, strategic research and risk management, to enable long-term preparedness and responsiveness to deal with emerging issues and risks and to provide advice to central ministerial bodies (Cabinets or equivalent) on priorities and their political implications. Indeed, in today's world, policy makers face an increasingly complex environment, immense time pressures and public demand for quick fixes to continually shifting policy issues. Addressing current and future challenges require well-considered policy responses that take into account both the research evidence that sets out the likely consequences of different actions and the values of people that should also be considered in defining a course of action. As such, formulating effective and evidence-based public policy in this context requires strong strategic insight, research capacity and the ability to identify policy options, including international good practices in policy, regulation and service delivery.

Kazakhstan recognises the importance of strategic insight for setting effective direction across the government and for supporting government organisations in achieving high performance and delivering results for Kazakhstan's people. The country is building an important research and best practice capacity in the area of HRM by creating a Regional Hub on civil service, which has the potential to become an important source of research on good practices in civil service reform. In addition, a number of stakeholders are engaged in the research activities, inside and outside government, including the Academy of Public Administration. The academy has research programmes in a wide range of areas, including public governance and socio-economic development, although this capacity needs to be expanded.

In terms of strategic analysis, the Centre for Strategic Analysis in the Presidency plays an important role in generating strategic insight to support the President's agenda setting. It has convening and co-ordination powers to obtain the necessary information from policy units across the Presidency, as well as across the government. It works closely with the Centre for Assessment of Effectiveness in the Institute for Economic Research under the Ministry of National Economy, which is responsible for consolidating assessments of government organisations. In addition, both the Chancellery and offices of deputy prime ministers undertake strategic analysis in the areas of their competence.

Moreover, each central agency undertakes data analysis in its sectorial area. Thus, the Ministry of Finance collects and analyses customs statistics, including the data on offences in the field of customs affairs. The Ministry of Justice analyses harmonisation of the national legislation with international standards and summarises the practical aspects of law enforcement and elaborates proposals for its improvement. The Ministry of National Economy conducts an analysis of the current situation in the global economy and an evaluation of potential external risks and their influence on the socio-economic development of Kazakhstan. The Ministry of National Economy has established an economic research institute which focuses on the development of major government programmes and laws, evaluation of the economic situation in the country and the development of recommendations for implementing the strategic objectives of the country over the medium and long term. These institutions are supported by think tanks to provide analytical and consultative services across a wide range of areas. For example,

the National Analytical Centre is functioning as a research think tank, affiliated with Nazarbaev University, to provide analytical, research and advisory support to the government to support policy making in the areas of public administration, strategic and economic development.

In addition, while Kazakhstan has put in place many elements of regulatory impact assessment to ensure that regulations take into account the possible impacts on various groups of population and businesses, it is still a long way from making these assessments a fully-fledged tool for making quality regulation and evidence-based policy making (for more information, see OECD, 2014 and Chapter 5).

Overall, Kazakhstan is building an important capacity for generating strategic insight to support decision making. Yet, there is currently a limited focus on systematic scanning of external and internal environment, knowledge management, private sector and citizens' engagement to understand their needs and expectations, as well as a focus on generating strategic insight through applied research and study of good practices. As such, further efforts could help broaden the empirical basis for decision making and direction setting, both at the ministerial and government-wide levels and strengthen overall ability of the centre to generate strategic insight in a manner that is efficient and sustainable. Some of the specific actions which could be taken by the CoG in this regard may include:

- Strengthening the function of applied and strategic research (different from pure academic research) to address the needs across the public sector and analyse current and future challenges affecting various public policy and governance areas in a systematic and government-wide manner. Options could include strengthening the focus and mandate of the academy to conduct applied research on management and other strategic issues, building closer ties with Nazarbaev University to strengthen capacity in identifying emerging issues and international best practices in governance, public policy and public management.
- Establishing processes for systematic monitoring, documentation and dissemination of external trends, currently and in the future (e.g. through environmental scans) to ensure the capacity of the Kazakhstan's government to identify and address long-term policy issues and pressure points, and that it has the information and analysis to take account of future trends in dealing with current policy issues (see Box 3.6). These could include establishing inter-ministerial committees to undertake research and assessment, including of the private sector and citizens, of the pressure points on Kazakhstan's society and the real needs of the Kazakhstan's public sector and to propose a strategic research and insight agenda to fill possible gaps on a whole-of-government basis.
- Enabling and fostering communities of practice, including policy developers and researchers across various policy and management areas (e.g. HRM, programme evaluation), who can share lessons learnt, good practices and address common problems concerning policy management.
- Expanding the knowledge base, introducing knowledge management systems and increasing inter-organisational collaboration to tackle the growing number of cross-cutting policy issues that defy the authority and expertise of any single ministry or even, in a globalised world, any single government. This should

include studies to understand the views and expectations of citizens, private and non-governmental sectors and other stakeholders.

- Embedding a more systematic approach to undertaking regulatory impact assessments (see OECD, 2014 and Chapter 5).

Box 3.6. **Key common elements of horizon scanning across the Netherlands, Singapore and the United Kingdom**

Mainstreaming horizon scanning and foresight throughout government: If horizon scanning is to provide a cross-governmental perspective that complements the horizon scans of individual departments, it is essential to pursue a holistic perspective and to focus on a broad policy perspective.

Supporting horizon scanning across government: Horizon-scanning programmes usually aim to be centres of excellence, but lack the knowledge to provide topical expertise on all potential future issues. Instead, their task is to support others in implementing their own foresight and horizon-scanning structures and to provide a higher level strategic context for these government initiatives. Proponents of cross-cutting horizon scanning strive to find the right balance between centralisation of their support and co-ordination roles, and decentralisation with respect to the topical analysis performed by a variety of competent bodies across government.

Building networks across professional communities: All programmes aim to extend their activities to other professional communities, particularly private businesses, think tanks and the academic sector. Participants realise that a multi-stakeholder approach, drawing on a multitude of internal as well as external sources of knowledge, is preferable to a process that is exclusively centred on experts from within government. There is a trend towards linking several national scans in a joint horizon scanning effort to reveal issues that are overlooked in the separate scans. This may serve as a tool to create a common understanding and shared awareness of futures issues.

Guaranteeing the inflow of expert knowledge: Horizon scanning and foresight must be based on the best available scientific and other evidence. This safeguards the credibility and longer term reputation of the programme.

Securing broad political support: Horizon scanning and foresight are directed at generating insights and ideas for senior decision makers. However, these innovations may often be situated on the margins of current thinking and may challenge conventional wisdom. Without clear support and backing from senior policy makers, it is difficult for lower level professionals to implement and pursue new or altered policies.

Ensuring policy impact through mutual understanding among stakeholders: It is critical that the results and recommendations that arise from horizon scanning be used to effectively inform the decision-making process. Policy impact can only be achieved when all concerned stakeholders and the foresight project team reach a mutual understanding of all partners' needs and goals.

Establishing horizon scanning as a permanent process that is conducted regularly: Horizon scanning needs to be conducted regularly and must stand on a solid (institutional) footing.

Source: Habegger, B. (2009), *Horizon Scanning in Government: Concept, Country Experiences, and Models for Switzerland*, Centre for Security Studies, Zurich, www.bevoelkerungsschutz.admin.ch/internet/bs/fr/home/dokumente/Unterlagen_Risiken.parsys.0001150.downloadList.69578.DownloadFile.tmp/horizonscanningingovernment.pdf (accessed 11 September 2014).

Recommendations

3.7. Strengthen strategic insight capacities and empirical basis for decision making in the Centre of Government through building capacity to conduct systematic monitoring of internal and external trends in the public sector, identify good practices, and current and future challenges for public policy and governance on a government-wide scale.

Capacity building and strategic services

Matching policies and the strategic framework with the capacities and competencies of public officials on the ground is critical to ensuring effective implementation of government plans and priorities. This calls for effective and efficient ways to build capacities and ensure ongoing learning and development of civil servants. Most advanced OECD countries are adopting a strategic approach to building capacity across the government to ensure that public servants have the necessary skills and knowledge to deliver on the current and future government priorities. Much of this can be considered as the support provided by the centre to develop the necessary capacities across the public service through training, research, tools and services.

In Kazakhstan, most of capacity-building activities consist of training. Most training is conducted at the central level by the Academy of Public Administration, which offers both degree programmes (Master of Arts and PhD) and short-term training programmes and conducts testing of public servants and candidates for administrative public positions. Its legal status provides the academy the monopoly for provision of education and training services to government institutions. The academy is overseen by the Presidency, Chancellery of Prime Minister, the Civil Service and Anti-Corruption Agency, the Supreme Court and the Ministry of Foreign Affairs. The academy has developed a competency framework for the public service which guides training and professional development requirements for public servants (although the use of this competency framework for the HRM processes inside the public service remains limited). Besides the academy, in some cases, public sector organisations organise training for their own staff through private sector companies or universities. Examples include the Chancellery and the Ministry of Finance. Moreover, training for top officials is carried out by the National Public Policy School under Nazarbaev University. The Institute of Education, an affiliate body of the academy, trains civil servants admitted to the civil service corps “B”. Regional centres undertake training and professional development of civil servants at the sub-national level. The new Law on Civil Service calls for a well co-ordinated civil service training system that is need-based, and providing applied knowledge and skills to civil servants. The academy has developed an important institutional capacity (academic and support staff, equipment and classrooms, library and other facilities) for provision and delivery of PhD, Master degrees and short-term trainings. The focus of the academy could be broadened to also include responsibility for leadership development and other developmental programmes to facilitate learning, besides training, throughout the working life of public servants. Some international examples in this area include the Fast Stream Programme in the United Kingdom for new high-potential entrants and Canada’s rotational assignment and learning programmes at the higher management levels.

In addition, in order to play this strategic role of supporting government organisations with applied knowledge in the area of public governance, to support a process of building a professional civil service, the academy needs to further invest in the skills and knowledge of its staff, exchanges with the other institutions and linking to the Regional Hub of Civil Service. Over time, it can be a role of the academy to run this hub as the institution responsible for generating applied knowledge in public governance and public management research to support its training function. Moreover, the scope of the knowledge hub could be expanded to systematically identify good practices across various management areas.

In addition to training and provision of good practices, in advanced OECD countries, central agencies sometimes provide direct services or facilitate their provision to departments or other stakeholders only in the cases when they cannot be delegated or outsourced due to their strategic nature. In Kazakhstan, central agencies are responsible for a range of services and support functions, including maintenance of databases, provision of consultations to government organisations and citizens; and development and maintenance of IT systems. Thus, the Civil Service and Anti-Corruption Agency monitors staff reserves and undertakes knowledge tests (through the test centre). Ministries have their own employment databases which are not combined into the database of the Civil Service and Anti-Corruption Agency (it is being envisaged as part of the "e-kyzmet" initiative which is a unified information system for public service HR management). The agency provides a consultation service to public servants in case of violation of their rights and interests. The Ministry of Finance develops and maintains databases/registries in the areas of state property, public procurement, customs and professional and audit organisations. The ministry also provides free consultations on customs issues. The Chancellery of the Prime Minister co-ordinates the creation of a unified IT system in government organisations, while the Ministry of National Economy is in charge of maintaining and monitoring of the registry of all public services in Kazakhstan. Finally, the Ministry of Justice is responsible for the maintenance of the public registry of legal acts (laws and regulations) as well as for providing legal and consultation assistance to public organisations.

It would be important for Kazakhstan to conduct an internal reflection process and determine which services have a strategic character and need to be provided by the centre. Some of the following criteria can help guide the decision on whether to establish a service delivery function in one of the central institutions:

- Is the activity (i.e. delivery of a service) consistent with the legal mandate?
- Is the programme or service optional or mandatory? If it is mandatory, what is rationale and source of authority?
- Does the activity respond to specific needs of ministries? If so, how is this determined?
- Is there a need for a government-wide approach in providing this service?
- Is there a need for government delivery of this service (as opposed to the outside stakeholders)?
- Is this an ongoing activity (as opposed to a time-limited activity)?
- Can this service be integrated with others?

If a service function meets these criteria, then it could be categorised as a strategic service, which could be delivered by one of the central agencies.

Recommendation

3.8. Broaden the focus of the Academy of Public Administration to include responsibilities for leadership development and developmental programmes to facilitate the life-long learning and training of public servants, supported by a programme of applied research and knowledge management. Consider introducing developmental programmes for high-potential civil servants.

Support to the political level

Irrespective of the political model, in OECD countries, CoG are responsible for providing support to the political level and ensuring the interface between the political and administrative levels, to mobilise commitment by the political leadership to support the strategic direction of reform, to provide advice for final decision makers; to ensure the continuity of procedure, policy and implementation, the stability of structures and "institutional memory"; to determine how to involve other stakeholders in the decision-making process given the political economy constraints/challenges, which is particularly relevant in partner countries. In fact, this is one of the primary functions of the CoG. Heads of the state or of government have a responsibility to provide consistent direction to their administrations. They also must negotiate with the legislature, political parties, civil society organisations and citizens to ensure that their vision is implemented. The CoG is critical to support these functions through analysing information from multiple sources and supporting the supervision of Cabinet ministries and the bureaucracy for developing a unified and co-ordinated direction (Bonvecchi and Scartascini, 2011). The importance of political co-ordination is increasing with the growing complexity of the issues and the growing role of the media. This function also involves engaging and interacting with citizens, civil society, business and other external stakeholders, including by anticipating, managing and resolving potential conflicts (e.g. strikes) (Egaña and Chateau, 2011; Alessandro et al., 2013). These functions are located in the offices of the Prime Minister or the President.

The importance of ensuring an effective political-administrative interface and co-ordination has recently increased due to a range of factors, including the growth of wicked policy issues, decentralisation of authorities and the stronger role of media in politics. Given that these elements increasingly lead to direct personal responsibility of the chief executive for the actions in all areas of his/her administration, the role of central agencies is strengthened to support political oversight over the Cabinet and the administration (Dahlström et al., 2011).

Kazakhstan is comparable with OECD member countries in that some of the functions of the CoG involve providing support to the political level and facilitating an effective administrative-political interface. In Kazakhstan, the function of support to the political level is generally shared between the Presidency and the Chancellery. Thus, the Presidency provides informational, analytical, organisational and documentation support to the President, the State Secretary, Assembly of the Kazakh people and advisory bodies under the President, including the preparation of acts, policy and strategic documents of the President, including the annual address. It works closely with the Department of Finance when it prepares the budget to ensure that the budget reflects the priorities of the President and government. Additionally, it advises the President on machinery of government issues (e.g. whether to create new departments or to restructure current ones), the need to request the government to develop a legislation in a certain policy area and

other matters. Finally, the Presidency facilitates exercise of President's powers with respect to: the parliament, government and central executive organisations, the Constitutional Council, courts and judges, the Central Election Commission, local legislative and executive bodies, and agencies reporting directly to the President.

The Chancellery of the Prime Minister, in turn, acts as a secretariat and provides information, analytical, legal, organisational, documentation and technical support to the Prime Minister and the government. One of the key functions of the Government Office is to support meetings of the government, including proposing and circulating agendas, distributing documents, providing advice to committee chairs, and recording Cabinet minutes and decisions. While overall the Chancellery's functions resemble those found in OECD member countries, as noted in Chapter 2, the challenge and co-ordination functions could be expanded to consider the overall quality of proposals submitted to the government for consideration and to serve as a co-ordination hub for increased government effectiveness. In addition, central agencies in Kazakhstan tend to provide greater support to policy decisions taken at the political level, as compared to OECD countries. As discussed in Chapters 2 and 5, empowering and building the capacities of ministries to shape policy discussions, including those taking place at the political level at the CoG would be important for Kazakhstan to develop a more inclusive policy process.

Finally, Kazakhstan follows the "multiple political principals" model, which is also found in some OECD countries, such as the United States, with myriad of actors participating in the decision-making processes and more blurred boundaries between the political and administrative levels. The current reforms to reduce the number of political appointees have the potential to reduce the uncertainly of this interface and increase the professionalism of the civil service which could help ensure continuity across the political cycle. Undertaking steps to reduce the turn-over of top civil servants in Kazakhstan, however, will be critical to ensure effective and sustainable implementation of the government agenda.

Adjudication

As a means to protect citizens' rights, foster trust in government and strengthen the business climate, OECD countries are establishing mechanisms to enable citizens and public servants to address their concerns or complaints, through complaint resolution functions in executive bodies to the establishment of independent agencies responsible for protecting the public interest and providing citizens or public servants with fast and easy access to independent complaint resolution mechanisms (Box 3.7).

In Kazakhstan, the adjudication function is exercised mostly by the courts. At the CoG level, the Civil Service and Anti-Corruption Agency and the Ministry of Finance have some adjudication authorities. For example, the Civil Service and Anti-Corruption Agency considers disciplinary cases against administrative civil servants of categories C-1, C-2, C-3, C-4 who committed corruption offences, which entails disciplinary responsibility and violations of the Code of Ethics of civil servants of Kazakhstan, as well as against other officials, including the heads of departments of central law enforcement agencies and special services, except superior heads of these bodies, their first deputies and deputies, who committed corruption offences, which entails disciplinary responsibility. In addition, the agency considers complaints of public servants regarding the implementation of the public service legislation. The Ministry of Finance, in turn, is responsible for preparing protocols and considering administrative cases in the area of bankruptcy and for the imposition of administrative penalties. Furthermore, the Ministry

of Finance considers administrative violations and complaints against decisions, actions/inactions of customs officials.

Box 3.7. Complaint resolution mechanisms in Canada and France

The Privacy Commissioner in Canada

The Privacy Commissioner, an officer of parliament reporting directly to the House of Commons and the Senate, has the mission to protect and promote the privacy rights of individuals. The commissioner has the authority to investigate complaints filed by citizens and issue reports on whether there has been a violation of:

- the Privacy Act, which imposes obligations on the federal government and agencies to respect privacy acts by limiting the collection, use and disclosure of personal information; and
- the Personal Information and Protection and Electronic Document Act (PIPED), Canada's private sector privacy law.

The commissioner focuses on resolving complaints using mediation and negotiation. In cases that remain unsettled, the commissioner may submit the matter to federal court to remedy the situation.

As an advocate for the privacy rights of Canadians, the commissioner also has the authority to carry out the following activities:

- assessing compliance with both acts on privacy through the conduct of independent audits and public reports;
- reviewing and assessing privacy impact assessments of new and existing government initiatives;
- publishing information about personal information-handling practises in the private and public sectors; and
- promoting awareness and understanding of privacy issues by the public.

The Information Commissioner in Canada

The Office of the Information Commissioner was created under the Access to Information Act, providing the right of access of information under the control of a government institution. The commissioner investigates complaints of citizens about federal institutions' handling of access requests. Most cases are resolved using mediation. However, cases that involve important principles of law or legal interpretation can be referred to the court if both sides agree.

The Public Service Staffing Tribunal in Canada

The Public Service Staffing Tribunal is an independent, quasi-judicial body created under the Public Service Employment Act to resolve complaints regarding internal appointments and lay-offs in the federal public service. The tribunal carries out hearings and negotiation sessions to settle disputes.

Box 3.7. **Complaint resolution mechanisms in Canada and France** (*cont.*)

The Council of State in France

The Council of State (*Conseil d'État*) acts both as a legal adviser of the government and as the highest level of the administrative court system, and more specifically, it functions as a judicial body by adjudicating suits and claims against administrative authorities. It settles disputes between public bodies and private entities and citizens or between two public bodies, in areas such as civil rights, civil liberties, administrative police, taxes, public contracts, civil service, public health, competition rules and environmental law.

- The council acts as a court of cassation for all judgements rendered by an appellate administrative court, and also for judgements issued by administrative courts regarding cases where an appeal is not permitted. The council reviews the legal aspects but does not investigate the facts already discussed in the previous courts; and
- The council serves as judge of first and last instance in approximately 20% of the cases settled each year. These cases include claims against national-level administrative decisions such as governmental decrees, decisions made by public agencies or ministries, and individual cases involving certain high-ranking civil servants. All cases arising from decisions made by authorities located outside the French territory, such as embassies, are directly referred to the council. It may happen when an ambassador or a consul take decisions regarding immigration applications.

To further strengthen the transparency and predictability of the decision-making processes, Kazakhstan may consider strengthening arm's-length mechanisms to ensure protection of citizens' rights against action or inaction of public officials, in such areas as access to information, privacy, public service delivery and others. Thus, for example, most OECD countries have established offices of access to information commissioners and/or privacy commissioners, which perform an oversight role and serve as arm's-length bodies. While the nature of the functions of these commissioners varies across OECD countries, they mainly focus on assisting individuals and organisations that believe that government institutions have not respected their rights in accessing information.

Recommendation

3.9. Strengthen arm's-length mechanisms to ensure the protection of citizens' rights and to resolve disputes and complaints (e.g. in the area of service delivery, access to information) in a fast, impartial and affordable manner, including through an effective administrative justice system, to improve the transparency and predictability of decision-making processes.

Further streamlining and reallocating of central functions for enhanced efficiency

Kazakhstan would benefit from a systematic and a horizontal review of all functions in central agencies to ensure their further streamlining and alignment for maximum coherence and effectiveness of a central functional framework. While this review would not necessarily lead to cuts in organisations, it would be useful to examine the central functions at a more "micro" level – some functions could be outsourced if they could be performed by non-governmental organisations or the private sector, some could be

delegated to line ministries or other levels of government or moved to other institutions for greater coherence of the policy and management framework. Box 3.8 provides a range of criteria that could guide this decision-making process, to help rationalise the delivery of these functions.

Box 3.8. **Organisational guiding principles**

- Central agency involvement should be consistent with its mandate: Central agency activity should be consistent with its legal mandate and formal scope of responsibilities. Avoid "mandate creep" into the legal mandates of deputy heads or other central agencies;
- A public service-wide approach is needed: The central agency activity is warranted in order to ensure consistency across the public service.
- A clear role for central agency involvement: Central agency activities must be value added and seen to be so by the core client, deputy heads. Time-limited activities should have clear start and end dates. Activities should be examined for continuing relevance and effectiveness;
- Single agency responsibility: Central agencies will align their efforts, collectively streamlining as appropriate and avoiding duplication and overlap. There should be coherence and simplicity from the client perspective; and
- Investment and economy of scale: Consideration should be given to whether the activities are being conducted in the most cost effective manner or if they can be scaled back. If there are areas where economy of scale can be achieved across central agencies, they should be identified and consolidated where possible. Multiple organisations working to achieve the same result, or working on marginally different facets of a particular issue, should consolidate their activities unless there is a compelling reason not to do so. In the areas delegated to departments, possible economies of scale should be considered to determine if some of these functions would be better performed by the central agencies.

For example, in addition to the functional analysis of the key competencies in central agencies in the functions traditionally performed by the CoG, the high-level OECD review of the competencies of central agencies suggests that the delivery of the following functions could possibly be further optimised:

- The public procurement function currently performed by the Ministry of Justice. While legitimate, this positioning may detract attention from the economic and management nature of the procurement function. Most OECD countries have established public procurement offices either in treasuries, Ministries of Finance and Economy, Ministries of Public Administration or specialised bodies.
- E-government was the responsibility of the Ministry of Transport and Communications at the moment of preparing this review. While Kazakhstan was in the early stages of setting up an IT infrastructure, the location of the e-government function in a line ministry responsible for communications was justified to ensure fast development of the e-services, building on the specific expertise available in the ministry. In time and to ensure alignment of the e-government function with the government-wide management and service delivery framework, the policy-setting function for e-government could be transferred to the body responsible for management reforms, while technical

support can continue to be provided by ministries in charge of technical communications and IT aspects. This function has been transferred to the Ministry of National Economy, which is aligned with the recommendations in this review.

- The internal audit and internal control/comptrollership function could possibly be located in the organisation that is responsible for the promotion of the main management reforms across government. This would allow emphasising integrated financial and non-financial performance information, stewardship of resources, effective risk management and focus on results. The focus of the function would be on improving performance and strengthened management practices across government organisations. The quality of internal audit can also be integrated into Kazakhstan's framework of assessing the effectiveness of government organisations.
- The HRM function, as noted, would need to be optimised by either establishing a unit in the CoG reporting to the government that would be responsible for introducing strategic HRM across ministries or by enabling the Civil Service and Anti-Corruption Agency to work more closely with ministries and agencies, and other central agencies involved in setting the government agenda.
- Similarly, some outstanding functions, such as programme evaluation, would also need to be developed and positioned in the CoG to enable the links with the broader public management agenda.

In reviewing and possibly reallocating the delivery of central functions, OECD countries' experience points to the importance of the following considerations:

- While most of the costs associated with service delivery are related to staff, the efficiencies may be difficult to realise immediately, particularly if the staff are reassigned.
- Care should be exercised to ensure the review of government functions does not lead to an increase in the costs of the same services produced by the private sector. This was noted as one of the dangers in government retraction, as the National Audit Office noted with respect to the 2004-08 reforms in the United Kingdom (National Audit Office, 2007).

Recommendation

3.10. Review public management functions and their allocation across central agencies for greater coherence in the government-wide policy and management framework.

Solidifying the culture of continuous improvement in Kazakhstan

Along with streamlining the current government structure, it would also be important for the government of Kazakhstan to continue embedding a culture of continuous improvement across the public sector, both for the delivery of public service, management of public organisations and improving policy performance and outcomes. Continuous improvement is something that is essential in all OECD member country governments, whatever their fiscal situation. This is an issue that goes beyond making

cuts and reductions related to the current context, although of course continuous improvement will also help to consolidate the public finances.

Indeed, since 2010, the government of Kazakhstan has been undertaking systematic annual functional reviews of central government bodies. It has since undertaken 15 such reviews.[5] These reviews focus mainly on the assessment of legally mandated functions and provide very important tools for decision making in the government of Kazakhstan. Specifically, they provide a solid basis for improving the allocation of functions across central government bodies, identifying potentially duplicative functions and existing gaps in legally established mandates. However, these reviews do not yet focus on the actual capabilities of ministries in delivering on their legal mandates nor do they assess the effectiveness of these functions and their implementation.

Currently, most competencies of ministries are outlined in the legislation approved by parliament. In many cases, the lists of are very detailed, counting hundreds of different ministerial competencies and functions. While this could be legitimate at an early stage, such an approach of detailing every ministerial activity in the law may significantly limit the ability of the executive branch to quickly react to changing circumstances and adjust ministerial functions respectively. Moreover, the current level of detail of competencies in the law requires constant amendments, thus potentially leading to inefficient use of resources both in the executive and parliamentary branches of power. In fact, a recent decision of the Constitutional Council of Kazakhstan ruled that laws should focus only on granting authorities to executive institutions (and the other functions could be determined by the executive branch). To this end, over time, Kazakhstan may consider reviewing its current approach of determining ministerial functions and competencies by providing greater authority to the executive branch, including ministries themselves, to determine specific functions and competencies within parliamentary approved ministerial mandate. Parliament, in turn, could concentrate on fixing in the law key strategic directions of ministries' mandates, on ensuring that the executive authorities remain under parliamentary control and on holding ministries accountable for results and value for money.

To enable implementation of this change and greater government ability to adjust its functions to ensure responsiveness to citizens' expectations, there is a need to review the current system which links the annual budget allocation process to the current level of functions performed by the ministries. Currently, ministerial budgets are allocated by parliament on the basis of their functions and competencies outlined in the law. Moreover, the limited opportunities to review current spending levels increase the difficulty in linking budget allocations to performance. While the strategic plans aim to link the allocated budget to specific results, they are not submitted to the parliament either at the design or reporting stages. Therefore legislation which provides mandates and functions for individual ministries is the only baseline available to parliaments to decide on the allocation of budgetary resources. There are two initiatives currently being discussed, at different stages of progress, which may help resolve this challenge. First are the efforts to introduce performance-based budgeting, which could help refocus the resource allocation process from its links to ministerial functions and competencies towards greater linkages with expected results. Second is the discussion on introducing shorter three-year ministerial plans on priorities and expected results, along with the associated spending, which would be approved by parliament. This initiative is already discussed as part of the General Approaches to Modernisation of Public Administration by 2020. This would allow the parliament to have an overview of the planned expenditures and expected results, thus reducing the need to review every ministerial

function and competence within the broader strategic framework. Such an approach would be similar to the Canadian reports on plans and priorities, which serve as individual expenditure plans for each department and agency in Canada. These reports provide increased levels of detail over a three-year period on an organisation's main priorities by strategic outcome, programme and planned/expected results.[6]

Box 3.9. Strategic (functional) reviews in Australia, Canada and the United Kingdom

Strategic review in Australia

The Strategic Review Framework was introduced in 2007 to work alongside Australia's decentralised departmental evaluation and review frameworks. Strategic reviews are broader than departmental programme (or spending) reviews, take a whole-of-government perspective and provide a greater degree of independent scrutiny. Strategic reviews focus on major policy and spending areas across programmes or portfolios and other significant Australian government initiatives. They can also be targeted and focused on a particular issue of current interest to the government. A particular feature of strategic reviews is that they focus on examining the continuing relevance and performance of ongoing programmes and activities and are not necessarily about finding savings. Each strategic review operates from a terms of reference established for each individual review with the goal of addressing some or all of the Expenditure Review Principles, depending on their relevance. The Expenditure Review Principles address appropriateness, effectiveness, efficiency, integration, performance assessment and strategic policy alignment.

The programme of strategic reviews is either endorsed by the Prime Minister or the Expenditure Review Committee of Cabinet and are reviews for consideration by Cabinet. Strategic reviews are either led by an independent eminent person or a senior employee of the Department of Finance and Deregulation, depending on the nature of the review. The review teams vary in size and can include both Department of Finance employees and secondees from relevant line agencies. All reviews are conducted within and managed by the Department of Finance. The length of a strategic review varies depending on the complexity and size of the policies and programmes being reviewed. However, most of them aim to begin after the budget and to be completed by the end of November, being approximately four to six months in duration with the aim that they report back to Cabinet prior to or as part of the next budget.

Expenditure Management System and strategic reviews in Canada

The government of Canada's Expenditure Management System (EMS) guides expenditure planning and decision making, budget implementation and oversight. In June 2007, a renewed approach to the EMS was announced that ensures all government programmes are focused on results providing value for taxpayers' money and are aligned with the priorities of Canadians and federal responsibilities.

Strategic reviews are an important element of the EMS: federal departments and agencies are required every four years to conduct a strategic review to examine their direct programming and operating costs to assess how and whether they are aligned with government priorities and whether they provide value for money. The results of strategic reviews are considered by Cabinet as part of budget planning. Strategic reviews have two overarching objectives:

- management excellence: strategic reviews support effective management of the government's resources to achieve results and drive excellence in programme performance and services to Canadians; and
- fiscal credibility: strategic reviews assist in ensuring that overall spending growth is consistent with the government's commitments in this regard – on average below annual GDP growth.

Box 3.9. **Strategic (functional) reviews in Australia, Canada and the United Kingdom** (*cont.*)

Strategic reviews enable the government to assess on an ongoing basis the relevance and performance of programme spending. To that effect, organisations undertaking a strategic review must:

- comprehensively assess 100% of their direct programme spending;
- identify areas where programmes and policy adjustments can improve programming performance and relevance; and
- assess opportunities for savings by identifying their lowest priority and lowest performing programming along with potential efficiency gains in internal services.

To assist in these reviews, reduction targets are provided from which funding could be reallocated to meet emerging government priorities. At the start of the review process, the Treasury Board Secretariat sends a letter to each department or agency conducting a review setting out the scope of the review, including targets for the lowest priority, lowest performing programming. In conducting reviews, ministers and deputy heads must provide evidence on the performance of 100% of their programmes and spending, which will allow the Treasury Board ministers to answer the following key questions: Are all programmes and spending effectively aligned with the government's priorities? Are all programmes and spending consistent with federal roles and responsibilities? Are there other organisations (e.g. federal/provincial, private sector or not-for-profit sector) better placed to deliver these programmes? Are all programmes and spending relevant and still meet the needs of Canadians? Are all programmes maximising value for money? Are all programmes effectively serving the purposes for which they were created? Are adjustments required to improve performance (including efficiency and effectiveness)? Can the same results be achieved using less money? Does the organisation have the capacity to spend and manage for results effectively? Can improvements be made to internal services in order to maximise efficiencies? Are there opportunities to reduce overlap and duplication as a means of achieving greater efficiency and savings?

Spending reviews and public service agreements in the United Kingdom

Starting in 1998, the comprehensive spending reviews involved in-depth reviews of departmental aims, objectives and spending plans for each department for a three-year period.

The comprehensive spending reviews of the first decade focused on combining multi-year spending plans with policy outcome targets for the period. This gave birth to public service agreements (PSAs), which set measurable targets for the government's objectives for public expenditure programmes. Each department had its own PSA (quasi-contract) negotiated with the Treasury to present the outcome delivered according to the funding level for a three-year period. Thus, Treasury had a main role both in the development of the PSA performance framework and the departments' actual PSAs as well as in the spending review process directed at each department. The PSAs were introduced to *ex post* measurement of output/outcomes in relation to expenditures but also as an *ex ante* tool to motivate departments to direct operations to deliver the right results. However, it was also recognised that the PSA performance measures and target setting could not be applied to all government expenditure.

Later comprehensive spending reviews in the previous decade took a deeper approach, turning from allocating incremental increases in expenditure to performing a set of zero-based reviews of involved departments' baseline expenditure. Departmental expenditures were analysed against the background of the government's long-term objectives in order to assess its effectiveness in delivering and fitting expenditure to current priorities.

Box 3.9. **Strategic (functional) reviews in Australia, Canada and the United Kingdom** (*cont.*)

With the new coalition government, the 2010 spending review was focused on establishing an encompassing framework for reducing the budget deficit involving budget reallocation, value for money and targeted savings. PSAs have also evolved from a top-down performance management system to "departmental business plans" which will provide information on performance and spending, including each department's (the term PSA was dropped):

- vision and priorities to 2014-15;
- structural reform plan, including actions and deadlines for implementing reforms over the next two years; and
- contribution to transparency, including the key indicators against which it will publish data to show the cost and impact of public services and departmental activities. This section will be published for consultation to ensure that the government agrees the most relevant and robust indicators in time for the beginning of the spending review period in April 2011.

Some of the structural changes planned by this new Structural Reform Framework include:

- strengthening the role of the departmental finance director to enable him to approve new investments and consult on material business decisions;
- providing an aligned, long-term strategy for financial management across central government and ensuring that financial directors and their teams have the skills and experience to drive it;
- introducing financial performance measures (e.g. improved balance sheet management) and improving risk management; and
- increasing the quality, transparency and accountability of financial information.[1]

The timeframe for the 2010 spending review process covered about six months. Mechanisms included the creation of a dedicated Cabinet Committee chaired by the Chancellor and supported by HM Treasury and the Cabinet Office which helped ministers scrutinise spending plans collectively and reach agreement. A number of independent reviews also inform the spending review where early findings are available. In addition, a full consultative process supported by greater transparency about government spending would be conducted prior to the review itself.

- The Prime Minister and Chancellor launched a formal process called the Spending Challenge to seek ideas from citizens on how services could be made more efficient;
- There were two stages. The first was targeted at public sector workers themselves, with a letter from the Prime Minister and Chancellor, then the consultation was opened up to all citizens; and
- In total, more than 100 000 responses were received on a special website, including 63 000 from public servants involved in service delivery. The amount of interest generated demonstrated the extent to which people wanted to be more involved in the decisions that affect them and their country. A number of ideas were implemented, for example saving GBP 1 million by abolishing the old practice of sending people a National Insurance number on a plastic card and instead just sending a letter.

Following the Spending Challenge, the 2010 spending review was published in October 2010, setting out overall fiscal plans until 2014-15, including the planned budget for each ministry for the duration of the parliament. The review also reinforced the role of the new independent body, the "Institute for Budget Responsibility" that was set up earlier in 2010 to provide the public with an independent view of progress.

Box 3.9. **Strategic (functional) reviews in Australia, Canada and the United Kingdom** (*cont.*)

Other ideas that were adopted from the Spending Challenge consultation include:

- introducing new departmental business plans to help citizens hold departments to account for delivering key goals by 2014/15; and
- a 34% reduction in real terms in the cost of running government (the "administration budget"), and a programme to reduce the number of arm's-length bodies.

Finally, there has been an increasing emphasis on transparency in the United Kingdom, including the improvement of public visibility of which measures are met and which are not. A special interactive website has been set up, and is run from the Prime Minister's Office: http://transparency.number10.gov.uk.

1. See www.gov.uk/government/news/structural-reform-plans.

Sources: Information provided by the Australian Department of Finance and Deregulation, February 2013; Treasury Board of Canada Secretariat website, www.tbs-sct.gc.ca/tbs-sct/index-eng.asp (accessed in July 2012); HM Treasury (2010), *Spending Review Framework*, www.gov.uk; HM Treasury (2010), *Spending Review 2010*, Crown copyright, London, October, www.gov.uk/government/uploads/system/uploads/attachment_data/file/203826/Spending_review_2010.pdf (accessed on 11 September 2014).

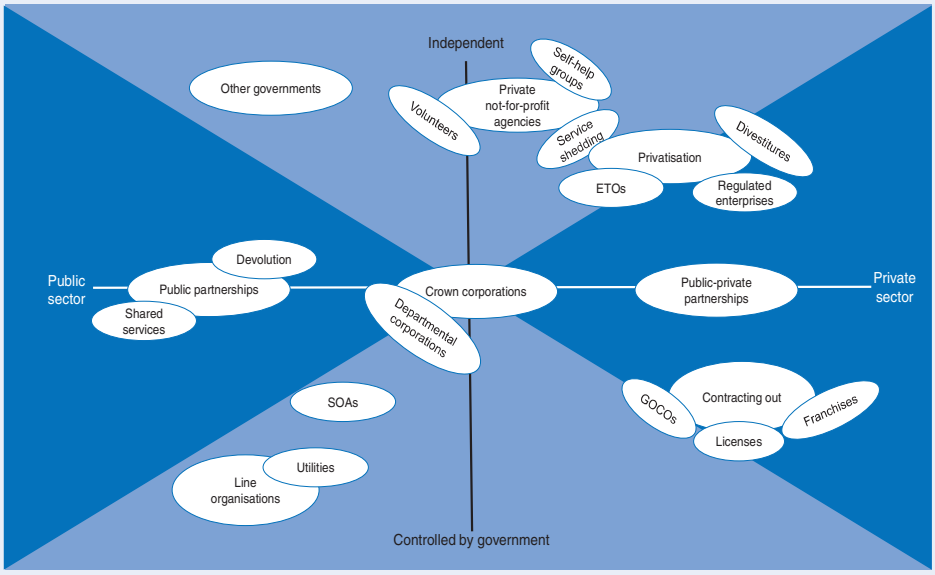
In addition, Kazakhstan may consider extending the focus of functional reviews beyond the examination of laws (which are nonetheless important given the legally driven administrative culture in Kazakhstan) to include an assessment of the management, effectiveness, efficiency and capacities of government organisations to support Kazakhstan to build a modern public administration. Indeed, stakeholders responsible for undertaking functional reviews in Kazakhstan indicated that plans are underway to begin a gradual extension of the current approach to functional reviews.

These reviews could first focus on priority programmes, both in terms of size and impact. Useful examples of a systematic approach to examining government programmes come from Canada's strategic reviews (Box 3.9). In addition, the Alternative Service Delivery policy introduced in Canada in the 1990s, which provided a useful framework for deciding on the most appropriate organisational form and method for delivering government functions in a systematic manner, could provide useful frameworks and insights, particularly in the context of Kazakhstan's current efforts to devolve some of its functions to non-governmental stakeholders (Box 3.10). Another example of keeping incentives for continuous improvement comes from automatic productivity cuts. A significant portion (but not all) of these productivity cuts involves, *de facto*, personnel spending. They would, however, leave the ministries with more room for discretion in achieving optimisation savings while de-linking the imperative to find fiscal savings in operations from the imperative of modernisation. This should be possible, provided that very strict fiscal monitoring is maintained to ensure the expected outcomes are achieved.[7]

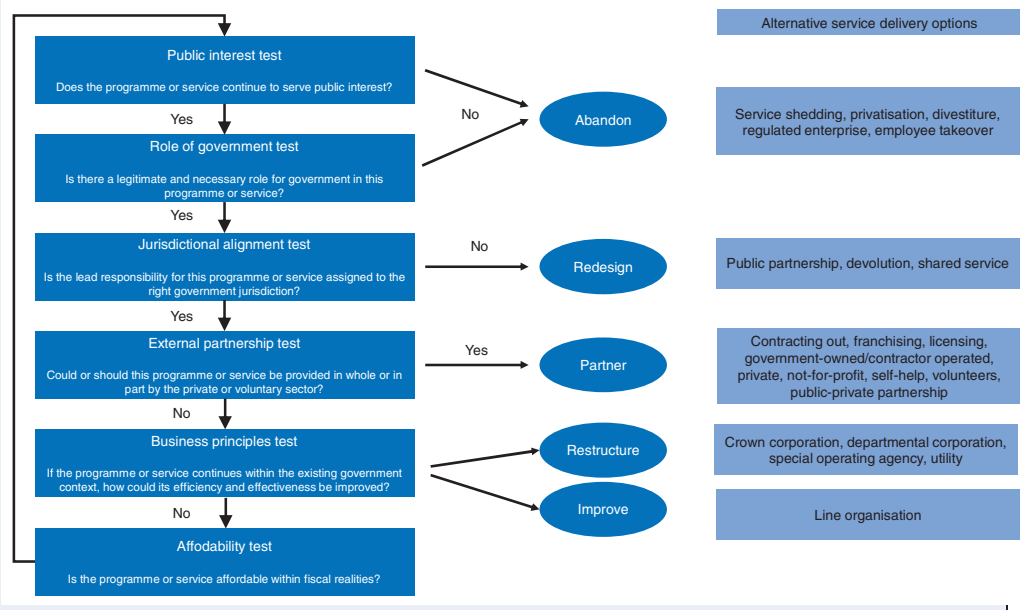
Box 3.10. Alternative service delivery in Canada

Alternative service delivery (ASD) refers to the systematic review of public programmes and service delivery aimed at identifying the most appropriate organisational forms and delivery mechanisms. There are several strategic steps that shape ASD choices. First is the choice of the right organisational form, which may include ministries, agencies, corporations and third parties. These forms are the function of autonomy (legal, financial, structural, employment) and accountability (policy, performance, delivery, results).

Next is the choice of the most appropriate delivery method, from basic reorganisation to privatisation. The following figure shows four clusters of delivery modes: *i)* ministries and departments; *ii)* agencies and semi-autonomous bodies; *iii)* partnerships and contracts; and *iv)* private and civil sector agencies.



The following figure sets out six strategic questions in choosing the right delivery model, which should be used in partnership with the decision tree outlined.



Box 3.10. **Alternative service delivery in Canada** (*cont.*)

The final step is to manage performance for best results. Given that each delivery model would involve a specific accountability arrangement, with the greatest reliance on internal structure in the devolved models, which also determines the way managers achieve results. This makes "implementability" a final criterion in taking a decision about ASD choices.

Source: Commonwealth Secretariat (2011), "Alternative service delivery revisited", *Commonwealth Secretariat Discussion Paper*, No. 10, March, Commonwealth Secretariat, London.

- Systematically integrating a requirement for evaluation of effectiveness of public policies to understand which policies and programmes are generating the desired impact and which are not and linking it to the programme reviews in making decisions of which programmes/functions to keep and which not to keep. Currently, while Kazakhstan has in place a system of programme assessment every three years, there is still no robust approach to evaluating the effectiveness and impact of various policy choices, particularly at the ministerial level. The OECD has been informed that the Kazakhstan's government is considering options for introducing such evaluations of policy effectiveness. It would be important to advance this initiative in order to promote a culture of public policy making, which considers the impacts, effectiveness and efficiency of various policy choices. Developing such a culture would be particularly important to increase the autonomy and authority of ministries in designing policies and programmes. Moreover, this would help build a management culture in which policy evaluations, assessments of programme implementation and audits are always followed by action, and actions are always followed by audits and evaluations. These evaluations can be first done for some of the priority or pilot initiatives and over time can be undertaken in a systematic manner across the government. The results of these policy evaluations and assessments of programme implementation can also link over time to the functional reviews currently undertaken by the government of Kazakhstan to support assessments and decisions related to government functions and programmes;
- Establishing a systematic process of a continuous analysis of the effectiveness and efficiency of machinery of government would support government decision making with regard to the appropriateness of the current institutional set up in meeting the challenges and opportunities faced by the country. For example, in the Centre of Government in Canada (Privy Council Office), there is a unit responsible for advising and supporting the Prime Minister on the following issues (among others):
  - the structure, organisation and functioning of government;
  - the organisation of Cabinet and its committees;
  - ministerial mandates and responsibilities;
  - transitions from government to government; and
  - ethics and accountability issues.[8]

- Currently, in Kazakhstan, the Presidency advises the President on the needed machinery of government changes (with the support of the Ministry of National Economy) but this is done on an ad hoc basis. A more systematic assessment of machinery of government issues, based on systematic criteria, under a central standard-setting authority, could improve the organisation of the Kazakhstan's central government and reduce the need for frequent government reorganisations, which may place a significant toll on ministries and their employees, thus affecting overall government effectiveness and efficiency. Advancing public service reform to promote flexibility and adaptability of staff, strengthening the capacities of senior management (see OECD, 2012b).

Box 3.11. **Automatic productivity cuts in selected OECD countries**

In the 1980s and 1990s, some countries introduced "automatic productivity cuts", the idea being to offset the lack of incentives for productivity gains of the kind that exist for marketable goods because of competition.

Automatic productivity cuts are applied across-the-board to operating expenses in the broad sense, including personnel costs. The administrative level at which the cut is imposed varies from country to country: it may apply to a ministry as a whole, with the ministry distributing the pain across various branches and operators, or it may apply to specific entities.

Automatic productivity cuts are set at between 1% and 2% of operating expenses. Some countries have tried to estimate their productivity increase in order to set a cut rate that departments must observe, but this process has serious disadvantages, opening the way to lengthy negotiations and adding to ministries' difficulties with budgetary predictability. The rate is now set politically in most countries. Productivity gains differ from sector to sector, and countries have overcome this problem by letting ministers decide where the most important productivity gains lie within their respective sectors. It is also possible to differentiate between broad sectors in applying automatic cuts, as a function of potential productivity gains. The way the cuts are imposed varies from one country to the next: some are imposed on the coming year's budget, others on multi-year targets and still others on the future fiscal framework.

A variety of approaches

In Australia, the cuts today are running at 1.25% (2% in 2008). They are applied to authorised spending from the previous year, topped up for inflation. Only a few agencies are exempt. In Denmark, the cuts are set at 2% and are established each year for the following four years within the multi-year budget framework. Negotiations over new ministerial tasks take place within this framework. The automatic productivity cuts did not apply to certain multi-year budget agreements (80% of operating costs were exempt), but the default position was the automatic productivity cut, and this had a clear influence on the contents of the multi-year agreements. The government, however, has just decided to apply the cuts to all multi-year agreements. The gains from these cuts are used to finance new political priorities. In Finland, there is no "automatic productivity cut" as such, but recurrent cuts are negotiated on the basis of estimated productivity gains, and this is almost the same thing. The goal is to reduce staffing levels, with half of the gains reallocated to other policy objectives and the remainder left to the ministry as a productivity incentive. The targets are negotiated on the basis of estimated productivity gains. The savings amounted to some EUR 20 million in 2007 and to EUR 150 million in 2011 (non-cumulative, on an expenditure budget of around EUR 50 billion), to be reallocated by central government, plus similar amounts which will stay within the ministries.

Box 3.11. **Automatic productivity cuts in selected OECD countries** (*cont.*)

New Zealand has taken a different approach: instead of calculating productivity cuts, the government establishes its budget on a fixed nominal baseline. If inflation is 2.5%, the operating expenditure budget in real terms is cut by 2.5%. There is a mechanism for baseline review, whereby the outputs are costed and the baseline reset accordingly. However, this process is rarely followed because it is time-consuming and costly. Sweden, again, has a different approach, using a productivity index that differs for each type of input in the organisations (the mix of labour and other inputs). The payroll index does not fully reflect increases following salary negotiations – it is decreased by a moving average of the last ten years of productivity gains in the private sector – as a way of keeping "productivity pressure" on agencies. Agencies that finance themselves from their own revenues are not subject to the same productivity pressures.

Source: OECD (2010), *Public Administration after "New Public Management"*, Value for Money in Government, OECD Publishing, Paris, pp. 81-86, http://dx.doi.org/10.1787/9789264086449-en.

Recommendations

3.11. Expand the functional analysis of ministries to integrate an assessment of factual situations and capabilities, including the effectiveness, efficiency and capacities of ministries and agencies as well as a thorough identification of policy gaps and synergies, based in particular on international comparisons. In time, build a permanent capacity to analyse the machinery of government (see also Chapter 5 for the related discussion).

3.12. Integrate a requirement for using results of evaluation of programme and policy effectiveness within functional reviews.

Notes

1. According to the 2012 Law on the Public Service, the Agency currently serves as an oversight and control body to ensure merit-based appointment practices. In particular, representatives of the agency participate in the recruitment processes as observers. All promotions across the public service are agreed with the agency as well.

2. Service standards state the level of performance that citizens can reasonably expect to encounter from a ministry/agency under normal circumstances. Efforts should be made to maximise the ownership of ministries and agencies in creating service standards, based on citizens' feedback and expectations. A number of OECD countries adopted general drivers of service satisfaction (e.g. timeliness, fairness of treatment and process) as the basis for developing service standards.

3. The implementation process for presidential messages demonstrates how "instructions" work: one month after the delivery of the annual address, the President issues a formal document setting out the specific legislative and policy changes that should flow from it. Based on this document, the government, parliament and

regional governments construct action plans that divide the actions to implement the instructions among specific organisations and officials. Such instructions tend to focus on formal deliverables, such as developing a regulation in a certain area, and include specific mandatory timeframes for implementation. Similarly, the ministries and other bodies are obligated to implement instructions from the government within established timeframes.

4. The monitoring is a continuous function that uses the systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of the allocated funds.

5. Functional reviews were undertaken of the following government organisations: Agency for Construction, Housing and Communal Services; the competition authorities on land management, on regulation of natural monopolies; Ministries of Health, Industry and New Technologies, Education, Environmental Protection, Agriculture, Tourism and Sports, Labour and Social Protection of the Population, Emergencies, Culture and Information, Oil and Gas, Transport and Communications.

6. For more information, see: www.tbs-sct.gc.ca/rpp/index-eng.asp.

7. Automatic productivity cuts can be targeted more readily at back-office than at front-office functions. On the other hand, certain functions in sectors where productivity gains are limited and where the numbers of personnel dealing with the public cannot be compressed, such as national education or the national police, could be exempted from these automatic productivity cuts (protecting their field staffing levels, in particular), as these sectors relate above all to reforms to redefine the scope of their missions. Sectors that have benefited more from technological progress or that in the past have had some of their responsibilities transferred to sub-national governments could be priority candidates for productivity cuts. In any case, a fine-tuned policy of sectorial differentiation should be introduced to ensure a positive outcome. It could be based perhaps on international benchmarking of results against the means employed in each sector (OECD, 2012a).

8. www.pco-bcp.gc.ca/index.asp?lang=eng&page=information&sub=publications&doc=role/role2013-eng.htm#a7.2.

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Chapter 4

Strategic management and accountability in the government of Kazakhstan

Governments around the world, including in OECD member countries, are trying to achieve important economic, social and political goals for their citizens. In this regard, Kazakhstan adopted Strategy Kazakhstan 2030 and Strategy Kazakhstan 2050, an ambitious agenda to make Kazakhstan a modern democratic state, including achieving high levels of economic, social and political development. Effective implementation of these Strategies requires effective state capacities and strategic approach to public management. This chapter aims to provide a high-level assessment of Kazakhstan's strategic management process, including strategy-setting, budgeting, monitoring and implementation, as well as performance assessment, accountability and evaluation. It also aims to identify good practices and policy recommendations that may be useful to Kazakhstan in advancing its reforms of strategic management and strategic planning across the government.

Recommendations

Vision and strategy setting in Kazakhstan

4.1. Simplify the strategic planning process and introduce an updated model with a simplified system of multi-year rolling planning and budgeting within a medium-term framework. This should also be integrated and closely aligned and co-ordinated with an enhanced system of rolling socio-economic and departmental plans. Consider introducing ministerial performance plans, which would be submitted to parliament.

4.2. Enhance the autonomy and role of ministries, including in generating policy priorities and targets for strategic policy documents in Kazakhstan through strengthening formal channels of consultation and communication with ministries, other governmental and non-governmental stakeholders, and facilitating a bottom-up priority identification.

Budgeting for results in Kazakhstan

4.3. Reinforce the existing performance budgeting process through introducing more transparent pre-budget consultation with business and civil society and developing stronger outcome-based indicators for government programmes (in line with the General Approaches to Modernisation of Public Administration of Kazakhstan until 2020)(see also the recommendation 5.16).

4.4. Systematically enhance the quality of the assessment of all government programmes and spending on a cyclical basis, through the use of programme and policy effectiveness evaluation and performance results reporting, linked to the budget allocation process.

Monitoring and implementation for results

4.5. Strengthen implementation practices by considering the establishment of an Implementation Unit in the Centre of Government and by adopting additional soft tools to enhance policy and programme implementation across the government, such as training, communities of practice, and good practice identification and dissemination.

Performance assessment, accountability and evaluation for results

4.6. Strengthen the current approach to assessing organisational effectiveness (management performance and accountability) by adopting a strong focus of continuous management improvement as the outcome of the process, developing a more comprehensive assessment framework, evolving performance measures towards key outcome measures, streamlining the assessment process, introducing risk-based oversight and compliance reporting, providing good practices and systematically seeking citizens' views on the government's performance, including policy and service delivery. Report the results publicly (see also Chapter 5).

4.7. Reduce the number of core objectives evaluated as part of programme assessments and assessments of implementation of strategic plans. These assessments should be accompanied by outcome-based measures and a robust system of evaluation of programme and policy effectiveness and reviews of existing spending.

4.8. Link the individual performance evaluation process to the achievement of policy, programme and management results (e.g. results of programme assessments and assessment of organisational effectiveness) and extend the application of performance evaluation, including for management performance, to assess the rest of the management team in ministries and agencies by executive secretary. Extend the system to additional public sector agencies where appropriate (also see OECD, 2012).

Recommendations (*cont.*)

4.9. Strengthen an independent parliamentary audit system, including the audit of the efficiency and effectiveness of government expenditures (comprehensive audit), as envisaged in 2013 Concept Note on the State Audit in Kazakhstan. Professionalise the internal audit and financial control function.

4.10. Strengthen the role of parliament in reviewing governmental performance to ensure a greater accountability and transparency of the executive for the use of public resources, including value for money and ensuring administration through the law. Introducing a system of ministerial plans and performance reports submitted to parliament (i.e. a system of ministerial statements) would be an important step in this direction.

Introduction

Governments around the world, including in OECD member countries, are trying to achieve important economic, social and political goals for their citizens.[1] At the same time, they are under pressure from citizens to demonstrate high levels of performance in the management of government funds, in the delivery of services and in the achievement of government policy goals. To respond to these demands, many governments have introduced national development strategies, built strategic planning systems and performance management and accountability systems both for internal management purposes and for performance accountability reporting to the President, legislature and to citizens.

Like other countries, Kazakhstan is looking for ways to continuously strengthen government performance, based on international standards and international good practices. In this regard, Kazakhstan adopted *Strategy Kazakhstan 2030* and *Strategy Kazakhstan 2050*, an ambitious agenda to make Kazakhstan a modern democratic state, including achieving high levels of economic, social and political development. In the next stage of economic development, Kazakhstan plans to become a top-30 state in terms of its economy, and to achieve modern-state levels of social and political development. During the past 15 years, Kazakhstan has made remarkable progress towards these goals. Ensuring that government has an effective performance management and accountability system is an essential element in achieving high government performance and the next stage of the Kazakhstan's ambitious long-range economic, social and civic goals.

In this respect, in late 2013, the government of Kazakhstan developed a new draft Presidential Decree entitled "Concept for Improving the System of Results-Oriented Planning", developed through a comprehensive analysis of the current state of the government's planning system, and a review of international experience. The document outlines the basic principles and approaches for further development of the system of state planning, and defines the goals and objectives of the state policy on state planning. This is an important step forward and an opportunity for the government of Kazakhstan to enhance its current system of results-based planning, based on international advice and international best practices.

The 2013 draft concept identified a number of issues in the strategic planning process that need attention and improvement:

1. the large number of state planning documents, which hampers their effective implementation;
2. the quality of state planning documents;
3. the duplication of documents and indicators in state planning;
4. the weak relationship between strategic, economic and budgetary planning;
5. poor risk management;
6. inadequate mechanisms to assess the effectiveness and efficiency of the implementation of state planning documents and activities of state bodies; and

7. the inadequate training of personnel involved in the planning process.

Based on the government's analysis of the areas of results-based planning requiring further improvement, the draft decree identifies the following key objectives and tasks for the next stage of reform:

1. audit and optimise state planning system documents;
2. improve the quality of state-level planning and implementation documents;
3. strengthen the relationship between strategic, economic and budgetary planning;
4. improve the assessment of the effectiveness of public authorities and the effective implementation of strategic and programme documents; and
5. improve the skills of staff engaged in strategic and budget planning.

The OECD review has identified many of these same issues and objectives during its review process, also within the framework of strategic management of government. To this end, this chapter aims to provide a high-level assessment of the Kazakhstan's strategic management process. It also aims to identify good practices that may be useful to Kazakhstan in advancing its reforms of strategic management and strategic planning across the government.

The strategic management process in government

In their roles of acting as the steward of societies' patrimony, resources, and values, governments are increasingly expected to achieve high performance, clearly and publicly articulate their vision and strategy, to anticipate changes, and to ensure policy implementation and coherence. This requires strengthening a strategic approach to management of the state, which emphasises leadership and stewardship from the centre, integrity, transparency and citizen-centricity, sound institutions (both inside and outside government), and crucially, the importance of effective implementation of strategies and policies in support of positive outcomes and impacts for a country's economy and society.

In OECD countries, the strategic management of the state has the following integral parts:

- setting a vision, strategy and clear goals for the country. The Centre of Government should ensure clarity about the expected results and how success would be measured (see Chapter 2). It should also provide meaningful performance expectations for ministries, accompanied by clear monitoring mechanisms, identification of the required data and measurement framework;
- using a performance budgeting approach;
- supporting the implementation of performance expectations through formal and informal mechanisms, soft and hard levers;
- regular monitoring, analysis and reporting of results, and
- acting on results and holding government organisations and individual managers accountable for their performance (Figure 4.1).[2] This could include review of system design and provision of support to individual agencies to remedy perceived uneven performance.

The centres of government usually play a critical role in enabling and implementing strategic management processes across the administration.

At the core of strategic management processes is 'strategic thinking' through which leaders analyse their environment and set a strategic vision and strategic goals for the organisation. The experience of OECD countries suggests that establishing a vision for public organisations and government as a whole, while being flexible enough to constantly adapt the strategy to changing conditions, is the key to long term success, especially in adapting to a continuously changing environment.[3] An example would be the challenge of adapting the government's fiscal and economic strategies to meet the challenges of recent global economic downturn, while maintaining a commitment to the overall economic and social objectives of the country. This has been the challenge for Kazakhstan and many other countries since the global economic downturn in 2008-09.

To be effective, strategic management in government should be accompanied by effective leadership from the centre and sound governance, a government culture promoting collaboration and co-ordination, responsiveness to clients and citizens, sound structures and processes to implement the agreed priorities and mechanisms to reconcile short- and long-term requirements. Moreover, in a democratic society the vision and goals of the government should be developed in a way that ensures that they reflect the views and aspirations of the people and stakeholders in the government. Thus strategic management and in a broader strategic state require the Centre of Government's capacity to both empower internal and external government stakeholders to generate ideas for the vision and to co-ordinate and steer their input into a coherent vision and strategy.

In OECD countries, most central agencies share the responsibility for ensuring system-wide performance, accountability and assurance with others. While this provides opportunities for specialisation, and learning, it requires effective co-ordination on the part of central agencies (Chapter 2).

In general, OECD countries are relying on a mix of both hard and soft levers by central agencies and ministries to drive government performance, through strategic management process at each stage, including defining the goals, developing the strategic plan and implementing results based budgeting, as well as implementing for, monitoring and evaluating results (Table 4.1). Hard levers include active monitoring, performance measurement and accountability systems to reinforce the implementation of policies, including at the personnel level through senior appointments and promotions, embedding expectations in mandate letters and performance agreements and linking performance to pay. Central agencies also have policy-setting abilities, as well as the possibility to provide financial incentives to implement policy priorities, or to create new institutions or strengthen existing ones, all in the interest of promoting the public service management agenda. They have the power to convene meetings of key players, whether on an intra- or inter-governmental basis, in order to move the change forward.

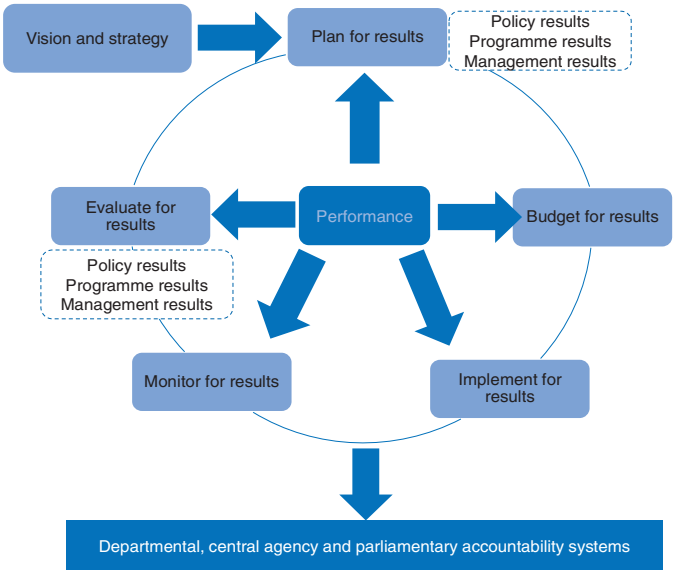
Soft levers in turn include systems of reward and recognition, such as awards. Other "soft levers" also include encouraging research, establishing learning programmes, creating 'communities of practice' among officials or supporting existing ones, and disseminating best practices with the help of guiding frameworks, various assessment instruments and toolboxes. Targets can then be set and progress reported back to the central agencies. Moreover, in the UK, most recently the Government started publishing the personal objectives of the most senior official in each Department: the Permanent Secretary. This enables everyone, including members of Parliament, journalists and civil

society organisations to see what they will be held accountable for delivering: the assessment that directly affects remuneration especially bonuses.[4] In recent years, these types of soft levers are gaining more attention as effective instruments to help achieve the vision and goals of OECD governments. For example, in France, the United Kingdom, Australia and Canada, a greater use of soft levers in the past decade has complemented the traditional hard levers, to promote higher levels of management and programme performance.

Table 4.1. **What are the levers and tools available to Centres of Government to drive system-wide performance and enable effective policy and programme design and implementation?**

Elements of strategic management	Hard levers	Soft levers
Vision and strategy setting	– Agenda and strategy setting – Prioritisation and policy setting	– Leadership, consultation, engagement, and participation – Communication – Standards (e.g. customer service charters)
Plan and budget for results	– Government programmes and budget	– Consultation, engagement, participation – Horizon scanning, research and analysis, forecasting
Implement, monitor and evaluate for results	– Laws and regulations – Government programmes – Resource allocation and strategic planning – Institution building for implementing policy priorities – Creation of implementation / monitoring units – pre-implementation analysis and interim implementation evaluations – Framework setting (HR management, service quality measurement) – Performance measurement and evaluation Target setting and reporting results – Budget and labour negotiations – Policy and service co-ordination and integration – Challenge function	– Identifying and sharing good practices – Consultation, engagement, participation – Moral suasion, setting values framework for public service (e.g. codes of conduct) – Capacity building and learning programmes – Recognition and rewards through awards, performance pay, and promotions for senior executives – Management frameworks – Communications – Convening communities of practice and enabling policy dialogue – Organisational capability reviews

Figure 4.1. **The strategic management cycle in government**



The next sections will focus on assessing the elements of strategic management of Kazakhstan, focusing on the broader issues of performance at the whole of government level in the areas of vision, strategy and macro planning, implementation and monitoring and evaluation.

Overall, while Kazakhstan is improving strategic management, opportunities for improvement remain.

The application of the strategic management process in government through the Kazakhstan 2050 and the Strategy Kazakhstan 2030 vision, and the ongoing multi-year planning process have been important factors in guiding Kazakhstan`s progress as a nation since 1997. As the President noted in announcing Strategy Kazakhstan 2050 in December 2012, the country has already become a successful, independent nation in the past twenty one years- and one that is also active and respected on the world stage.

"As we began our journey as a nation things were vastly different. Now thanks to our joint efforts we have transformed our country into a wholly different place. Today we are a successful state with our own characteristics, perspectives and identity. ….To reach this aim we had to work to improve three areas: build a modern nation state by making the leap towards a market economy, lay the foundation of a social system and, finally, transform people's thinking and outlook. We had to define our own path. This path was outlined in the "Kazakhstan 2030 Strategy''. This strategy helped define our strategic goals and targets and provided a crucial breakthrough in our world outlook." (*Strategy Kazakhstan 2050*)

Through the *Strategy Kazakhstan 2050,* the government of Kazakhstan has established a set of bold new long range economic, social and political goals for the country. While well underway, Kazakhstan would strongly benefit from a modern and well-functioning public service and a modern results-driven system of strategic management, which will be essential to support the country on that journey if the government`s ambitious targets are to be achieved, especially in the context of a changing global economic and political environment. This includes strengthening performance management and accountability systems to ensure that they are synchronised with the needs of the people, and with the government`s management objectives, programme objectives, and policy objectives.

In order to create an effective system of state planning, in 2007 work began in Kazakhstan on building a new model of state planning based on the principles of corporate governance, effectiveness, transparency and public accountability. In December 2007 the President approved a Concept for the implementation of results-oriented state planning; and in 2008 Kazakhstan adopted a new Budget Code, which became the basis for the adoption of the Decree of the President "On the system of state planning in the Republic of Kazakhstan " and the introduction of transition to results-oriented budgeting. The 2008 Budget Code, introduced the requirement for the development of strategic plans by public organisations on a rolling basis. In this context, the government forecast of socio-economic development is currently produced annually on a five-year rolling basis, and rolling strategic plans are developed by the state bodies for three years to five years. The Republican budget is developed annually on a rolling three year basis and is approved into law by the Parliament of Kazakhstan.

In 2009, the government adopted a long-term Strategic Plan for Development of Kazakhstan till 2020, which set the strategic direction and development objectives of the country for the coming decade. In the implementation of the 2020 Strategic Development Plan, the government implemented a detailed state planning system at both the national

and local levels. More recently, the President announced a long-term "Strategy" Kazakhstan- 2050" which required the development of additional government planning documents for certain target sectors. It has been estimated by Government officials that the total number of planning documents required across the public sector reached 949 in 2013, including 157 at the central level, and 792 at the local level.

To complement the state planning system, and to improve the efficiency of public bodies the President of the Republic of Kazakhstan also issued Decree Number 954 in March 19, 2010, introducing a comprehensive system of annual performance evaluation of the central state and local executive bodies.

Figure 4.2 provides an assessment of current Kazakhstan's practices against the key elements of Strategic Management. It also highlights the maturity and comprehensiveness of these practices compared to OECD countries. The final column lists some international good practices that could be considered by Kazakhstan in each of the areas of the strategic management and accountability process.

Figure 4.2. **Strategic management and good practices in the government of Kazakhstan**

Strategic management in the government of Kazakhstan: An assessment

	PRACTICES	PERFORMANCE	OPPORTUNITIES	BEST PRACTICES
Vision and plan for results	❖ -Long-term vision/goals ❖ -Long-range strategies ❖ -Medium-term planning ❖ -Annual planning	❖ Strong application of long- and medium-range goal setting and strategic planning	❖ Greater engagement of citizens and business in visioning and priority setting processes; simplifying the system.	Australia, United Kingdom, Canada – Citizen/business surveys; policy research
Budget for results	❖ -Elements of results-based budgeting with one- and three-year time scale, with some links to long-/medium-term strategies	❖ Increasing use of results-based budgeting	❖ Strengthen links between budget and planning ❖ Develop programme effectiveness evaluation and reviews ❖ Introduce pre-budget consultations	Austria – results-based budget Canada and United States – cyclical programme evaluation Canada: Pre-evaluation of proposed programmes, pre-budget consultation process
Implement for results	❖ Top-down control of programme implementation ❖ Core reporting and accountability systems are in place	❖ Primary reliance on hard control levers to ensure implementation of plans	❖ Strengthen the pre-implementation analysis, supported by the unit in Centre of Government ❖ Engage clients ❖ Use "soft" levers to build capacity and get buy in	Australia: pre-assessment of policy and programme implementation process; Chile, United Kingdom, Malaysia implementation oversight agency
Monitor for results	❖ A system for monitoring agency management and policy and programme performance in place	❖ Monitoring mainly at the agency and ministry head level, responsibilities dispersed among many central agencies	❖ Develop performance agreements for all managers ; review programme and management results bi-annually, streamline monitoring systems	OECD countries performance accountability agreements for all managers linked to management and programme outcomes
Evaluate for results	❖ Effectiveness evaluation and links to government-wide performance not well developed, or linked back to budget allocation process	❖ Limited systematic evaluation of efficiency, quality and effectiveness of policy outcomes	❖ Strengthen and broaden management and programme effectiveness evaluation systems and measure outcomes; link to budget process and government-wide goals	Australia, New Zealand, United Kingdom: agency capability reviews Canada, Korea, United Kingdom: management accountability framework and cyclical evaluation of programme effectiveness

Source: Developed by the OECD (2014).

Overall, Kazakhstan performs relatively well in visioning for results, but has an opportunity to strengthen its results-based budgeting, implementation and monitoring systems, as noted in the Kazakhstan Government`s 2013 draft "Concept" document on results-based planning. The areas for potential improvement are mainly in the areas of citizen engagement in the visioning and planning process, setting fewer and more measurable objectives, and in the systems for monitoring and evaluating results- to focus

more on continuous improvement in social and economic outcomes linked to the nation`s vision and strategic objectives. There are also some opportunities for improving the long range visioning and planning process, especially in citizen and business engagement, and also in linking evaluation of policy and programme effectiveness more directly back to the results-based budgeting and the resource allocation process. Throughout the strategic planning and evaluation functions, there is also room for additional training and professionalisation of staff.

The subsections below highlight Kazakhstan's achievements and opportunities for improvement with regard to each element of strategic management of the state.

Vision and strategy setting in Kazakhstan

Setting a strategic vision and establishing together, big picture citizen-centric objectives for the economy and society is a core role of the Centre of Government. These objectives ultimately both shape and reflect public sector and societal values and should be owned and promoted by all parts of the public sector, as a 'whole-of-government' vision and citizens. To ensure that the vision and the strategy represent the aspirations of the people and of the different components of a diverse society, consultation and inclusive discussions about the national vision are important factors in gaining public support and societal coherence. A compelling national vision, representing the aspirations of the people and supported by an effective strategy, is an important way to mobilise the government and the country to set a clear direction, to set overall priorities and to achieve its long term development goals.

Strategic planning and strategy setting planning process in turn are essential to ensure that the strategic vision takes specific shape, is coherent, operational and achievable. In OECD countries, the doctrine of collective responsibility of ministers to implement government programmes is crucial to bind both central agencies and line ministries to a coherent course of action. Such collective commitment is ensured through building, discussing and agreeing on a vision and strategy by the whole range of actors that are engaged in public policy making, implementation and service delivery inside and outside government. Setting an effective vision and strategy involves a range of both hard and soft levers, as outlined in Table 4, including leadership, consultation, engagement, participation, horizon scanning and good practice research (soft levers); and agenda and strategy setting as well as prioritisation and policy setting (hard levers). Surveys of public opinion with respect to citizens' social, governance, civic and development and consultations with clients are examples of levers for the development of an inclusive national vision and strategy.

In Kazakhstan, overall, the country's performance in setting long-term vision and objectives has been impressive. In addition to the two Vision documents (*Kazakhstan 2030* and *Kazakhstan 2050*), Kazakhstan has developed Strategic Plans for 2015 and 2020. These are punctuated by the President`s Annual Address to the Nation where he sets our current Government direction and priorities. Within the five-year strategic planning frameworks, the Government sets rolling three-year budget frameworks and one-year budget allocations. The vision and strategic planning systems in Kazakhstan are comprehensive and since 1997 have a relatively good track record of implementation, resulting in a six-fold increase in GNI per capita over a 15 year period, as well as major reduction in poverty and improved educational, health and social outcomes.[5]

In addition, Kazakhstan has a rather extensive and elaborate strategic planning process as noted earlier in the Chapter. Some of the key programmes of strategic planning include:

- Development Strategies of Kazakhstan – 2050 and 2030;
- strategic plan for ten years;
- Strategy of national security;
- state programmes for five to ten years;
- programmes for territorial development for five years;
- strategic plans of ministries for five years;
- sectoral programmes; and
- national budget for three years.

The highest level of planning is provided by the President's long-term vision documents. The Kazakhstan 2030 Strategy, formulated by the President in 1997, defined the long-term strategic framework for the government until 2012; it was implemented through the Strategic plans for the development of the Republic of Kazakhstan until the year 2010 (2001-10) and until the year 2020 (2010-20), as well as a number of sectoral programmes such as the "State programme of forced industrial and innovative development" and the "State programme of education development in the Republic of Kazakhstan". At the end of 2012, the President presented the Kazakhstan 2050 Strategy, which has since been gradually integrated in lower-level documents, including the sectoral programme for the development of agriculture from 2013 to 2020 (*Agrobusiness 2020*).

In addition, the President delivers an annual address to the nation on the country's situation and the main directions that he intends to give to domestic and foreign policy (Figure 4.3). The annual address provides an opportunity to amend the strategic orientations included in the long-term plans and to introduce new initiatives. The latter are often further developed through 'doctrine' documents, which address policy principles, and 'concept' documents, which are rather devoted to concrete action plans. An important example was provided in May 2013 by the adoption of a new concept on the transition to a 'green economy'. Sectorial programmes and concepts have a time horizon of five to ten years, sometimes more. They define a list of strategic objectives, each related to a series of fairly detailed performance indicators and tasks. For each task, the programme defines an implementation schedule and a budget, and designates a public entity (ministry, subordinate body or local government) that is legally responsible for taking the necessary measures and addressing possible problems.[6] The designated organisations are supposed to integrate these measures in their own strategic plans and implement them through concrete actions as stated in their operational plans. The latter form the lower and final level of the planning system.

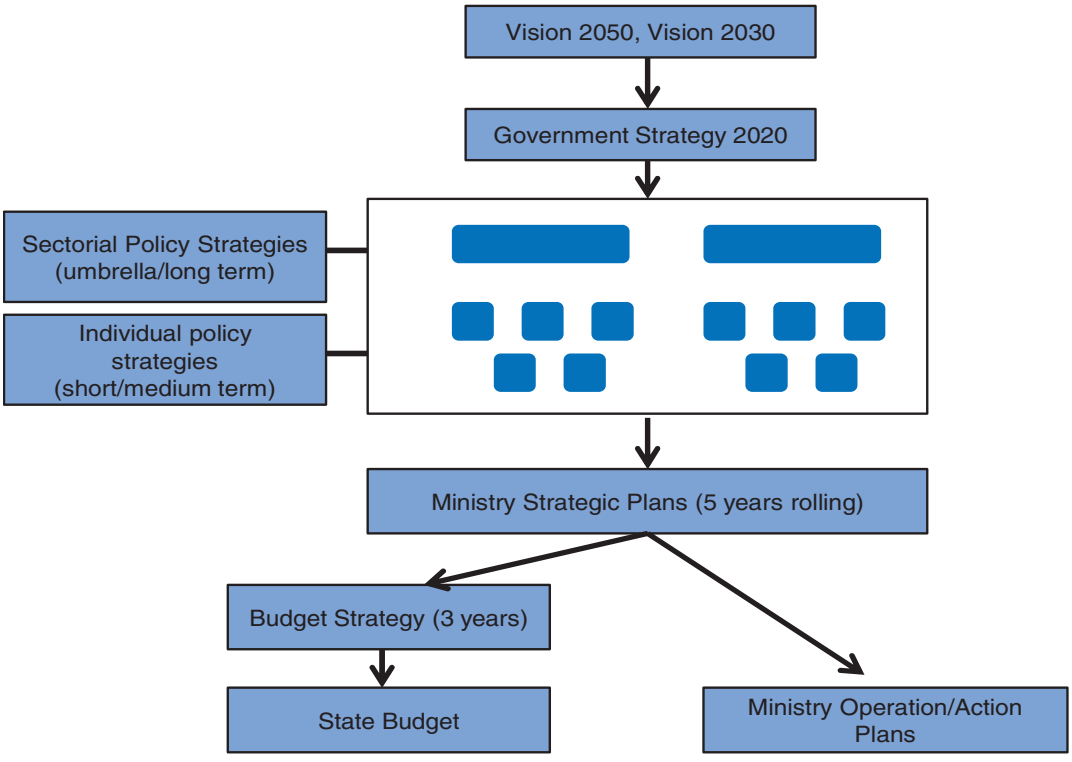
While this system is very elaborate and has served the country well, there are a number of areas which can be further improved. First, this planning system is more complex than that of most OECD countries, and therefore, there may be an opportunity for Kazakhstan to simplify, streamline and better integrate the overall planning framework to reduce the number of documents and component steps, as the complexity may pose an additional reporting and planning burden on the system. It is thus

recommended that Kazakhstan considers how to simplify its vision and strategic planning system, based on practices in OECD countries like Canada, Australia, the United Kingdom, as well as Singapore and Malaysia. As mentioned, one possible option, which is currently already discussed in Kazakhstan, could include replacing ministerial strategic plans which are approved by the Government, by annual performance plans which would be submitted to Parliament. These plans would be based on the three-year budgeting process and would link expected results with the allocated resources. This approach would allow both streamlining strategic planning process and strengthening accountability to parliament.

Greater public involvement in the development of strategic goals and priorities is another challenge both in Kazakhstan and member countries of the OECD. In Kazakhstan there have also been efforts to make the planning process more transparent and to begin engaging civil society (for more discussion on Kazakhstan's situation, see Chapter 5 and OECD, 2014).

To strengthen the Kazakhstan's government's ability to identify current and future challenges in an inclusive manner and to effectively respond to horizontal policy issues, an integrated, open and more collaborative approach to policy development is required. For example, while there is co-ordination with other stakeholders in preparing long-term strategic documents, a more inclusive and systematic process involving more public officials, citizens and civil institutions is needed. In addition, undertaking a longer-term visioning exercise with a more systematic contribution from ministries should enhance bottom-up creativity, buy in and ownership.

Figure 4.3. **Strategic planning framework in Kazakhstan**



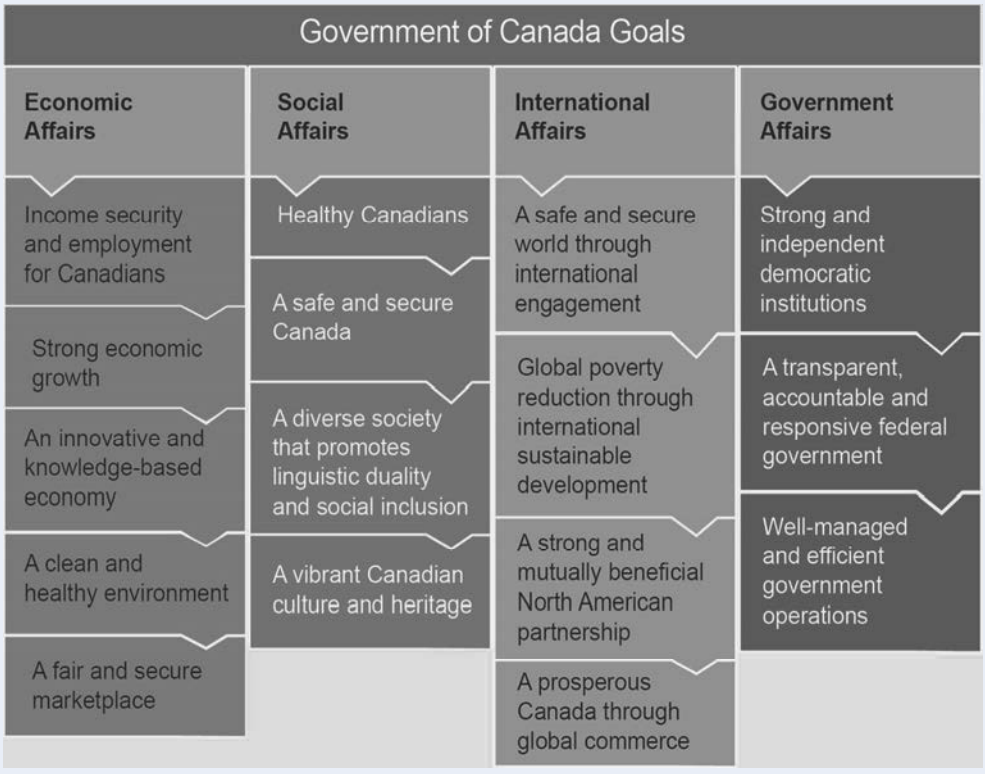
Source: Developed by the OECD, based on the information provided by Kazakhstan's authorities.

To this end, Kazakhstan may consider expanding a consultation process in preparation of the key strategic whole of government documents, which would involve a full range of representative stakeholders both within and outside the government. In particular, the greater engagement of and systematic consultation with the business sector and citizens in the broader vision-setting planning process will be critical to meet their needs and would seem a logical next step for the government of Kazakhstan, drawing on some good practices in OECD countries (Box 4.1).

Examples for consideration include the Canadian Minister of Finance's annual regional Budget consultations, the Canadian biannual citizen and business surveys on regulation and service delivery issues, as well as the systematic citizen consultation on policy proposals practiced in several OECD countries including Australia, Canada and New Zealand. This would require and strong leadership to reinforce the importance of co-ordination and collaboration across ministries and greater involvement of citizens, stakeholders and others in the policy development process.

Box 4.1. **Setting government goals and priorities in the government of Canada**

For its long-term planning, the Canadian Government has established sixteen major goals in the economic, social, international and government domains. These are shown in the following figure.



Box 4.1. **Setting government goals and priorities in the government of Canada** (*cont.*)

Within this long range context, the Government of Canada sets both three-year and annual goals and priorities. These are announced to Parliament and the people at the beginning of the annual and strategies. The Canadian government adjusts its policies and strategies annually to meet changing fiscal and societal conditions, and also systematically surveys citizens and various sectors of society such as the business community to determine their needs, concerns and priorities. These government-funded Public Opinion Surveys must meet strict policy standards for quality and ethics, and all survey reports must by law be lodged with Archives and Library Canada in order to ensure transparency. Thus all the data gathered via public opinion surveys about policy, management and government services is available to the media and to the general public, online. Canadian Governments use this data to better understand citizen and business priorities, and also to understand how well the Government is performing in the view of citizens.

Another systematic way of obtaining citizen input to government decisions is through the "Consulting with Canadians" website which lists and provides access to all current government policy consultations. Other important process for helping the Canadian Government to chart its strategic course is through Royal Commissions and Commissions of Inquiry under The Inquiries Act, whereby independent panels are established by the Government either to examine major ethics breaches or abuse of power in Government (e.g. the Gomery Inquiry and the Arar Inquiry) or to take a long term review of policy in a specific area such as Bilingualism and Biculturalism, or Federal-Provincial Relations. These reports and recommendations are public documents. On less high-profile issues, the Canadian Government establishes external Task Forces of experts to examine and report on specific issues such as immigration procedures, whistle blowing legislation, privacy legislation, and government support of sports. Thus, in the Canadian Government system of planning, public and business sector input is gathered in a variety of ways, and the opinions of the public are made available to the media and ordinary Canadians through transparent on-line reporting processes.

Source: Public Works and Government Services of Canada: www.tpsgc-pwgsc.gc.ca/rop-por/enligne-online-eng.html#a15, Government of Canada, Consulting with Canadians: www.consultingcanadians.gc.ca/sbsl.jspx?lang=eng&tp=c

Recommendations

4.1. Simplify the strategic planning process and introduce an updated model with a simplified system of multi-year rolling planning and budgeting within a medium-term framework. This should also be integrated and closely aligned and co-ordinated with an enhanced system of rolling socio-economic and departmental plans. Consider introducing ministerial performance plans, which would be submitted to Parliament.

4.2. Enhance the autonomy and role of ministries, including in generating policy priorities and targets for strategic policy documents in Kazakhstan through strengthening formal channels of consultation and communication with ministries and other governmental and non-governmental stakeholders and facilitating a bottom-up priority identification.

Overall, Kazakhstan has a long history of strong vision-setting and strategic planning, and the system continues to evolve. The Vision 2030 and 2050 documents provide a long term description of the future aspirations and goals of the country. The strategic planning process is also well developed in Kazakhstan, but appears to be quite complex compared

with advanced OECD nations, with multiple documents and multiple timelines as part of the Government's strategic planning, programme planning and budget planning processes. In addition, the system may be strengthened by allowing a greater and more systematic engagement of external and governmental stakeholders. The ministries should also be encourage to have a greater say in developing high-level objectives and government strategic plans, while also ensuring better integration of their plans with the centre's objectives once the overall national goals are set.

Budgeting for results in Kazakhstan

OECD countries are increasingly introducing performance budgeting to respond to the growing expectations to deliver value for money and increase the transparency of spending decisions (Figure 4.4). Performance budgeting is also important to enable greater accountability for performance across governments. The experience of the advanced OECD countries shows that integrating performance information, and the allocation and use of resources can contribute to better decision-making about the resources and government programmes. Examples of OECD country approaches to performance budgeting are highlighted in Box 4.2.

In general, most OECD countries are focused on linking the budget allocation process to results-based management and accountability systems:

"OECD member states are focusing on a range of common issues. These include the need to make clearer links between outputs and outcomes... In addition, countries are working on the development of statements of goals which become the focus of attention of department and ex-ante accountability examining the performance of departments in relation to those goals. This has required them to develop sophisticated performance management regimes which in turn have led to changing policy management structures within the executive and enhanced roles for legislatures and Supreme Audit Institutions. For example, the United Kingdom's approach is based on a shift in the role of the Treasury from the management of interest rates to the planning and evaluation of government departments' expenditure links to goals and targets. Other countries report a strengthened oversight role for the legislature and changing roles of audit bodies from oversight of the legitimacy of departmental expenditure to include programme evaluation." (Aidan Rose, 2003).

OECD countries like France, Canada, the UK and the Netherlands have not only focused the budget process on outcomes, but have also adjusted the Parliamentary external audit process to focus more on the independent audit of the efficiency and effectiveness of programme outcomes.[7] This will be discussed in next section of this chapter.

Box 4.2. Performance budgeting in selected OECD countries

Austria's approach to performance budgeting

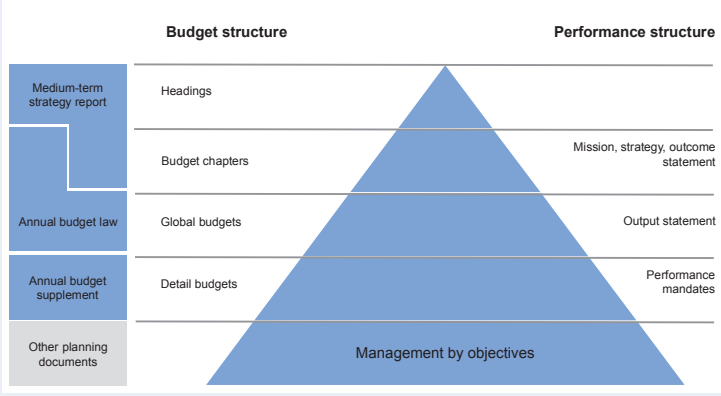
As part of its comprehensive budget reform, Austria put an outcome orientation front and centre. This includes integrating performance budgeting as a means to move from an input orientation to one focused on outcomes. Austria targeted the development of a system that was streamlined (lean), and sustainable and relevant. It based the performance model on four primary elements:

- With respect to the medium term expenditure framework, the associated budget strategy report would refer to line ministry outcomes and the strategies to realise these within the relevant four-year period;
- Established guidelines for how to present performance information in the annual budget bill, including a brief mission statement and a maximum of five outcome objectives;
- A maximum of five outputs are to be defined for global budgets, which are also part of the budget decision; and
- With respect to detailed budgets and their responsible administrative units, a plan or mandate integrating resources and performance objectives for the relevant administrative unit is mandatory.

To ensure compliance by line ministries and their agencies, "watchdogs" were introduced into the system: Parliament, the Court of Auditors and the Chancellery – each with very clearly defined, non-overlapping responsibilities.

The office of the Minister for Women's Affairs and Public Service developed a schematic representation of both the move to an outcomes based system and the various levels relating to the performance budgeting system (see figures below).

Integrating performance information into budgetary decision making



Source: Steger, G. (2010), "Austria's Budget Reform: How to create consensus for a decisive change of fiscal rules," *OECD Journal on Budgeting*, Vol. 10/1, OECD, Paris, http://dx.doi.org/10.1787/budget-10-5kmh5hcrx924.

Canada's approach to performance budgeting

Canada has a robust system of annual pre-budget consultations by the Minister of Finance. Typically, the Minister and his officials hold meetings across the country for several weeks holding two-way discussions with academics, business leaders, and community leaders. The department of Finance also undertakes a parallel Internet-based consultation with citizens through its website. These consultative processes have been in place in Canada for over a decade, but before that time there was a great deal of secrecy around the Government`s Budget and plans for the economy and tax system. But now, the annual Budget Consultations are an established way of Government engaging with society on Budget decision making.

Box 4.2. **Performance budgeting in selected OECD countries** (*cont.*)

Once the fiscal framework and Government Budget priorities are set, the budget allocation process between the Treasury Board of Canada and departments and agencies is aligned with the Government`s established goals and priorities.

The Canadian Expenditure Management System is built on three pillars:

- **Managing for results:** Evaluating programs and demonstrating results for Canadians;
- **Upfront discipline:** All new proposals for government spending require clear measures of success and better information about how the new proposals fit among existing programs; and
- **Ongoing assessment:** Reviewing all direct programme spending to ensure that programs are efficient, effective, and aligned with the priorities of Canadians and with federal responsibilities.

Agencies must submit, along with their budget requests, a results- based **Report on Plans and Priorities**, which are individual expenditure plans for each department and agency (excluding Crown corporations). These reports provide increased levels of detail over a three-year period on an organisation's main priorities by strategic outcome(s), programme activity(ies) and planned/expected results, including links to related resource requirements. The RPPs also provide details on human resource requirements, major capital projects, grants and contributions, and net programme costs. They are tabled in Parliament by the President of the Treasury Board."

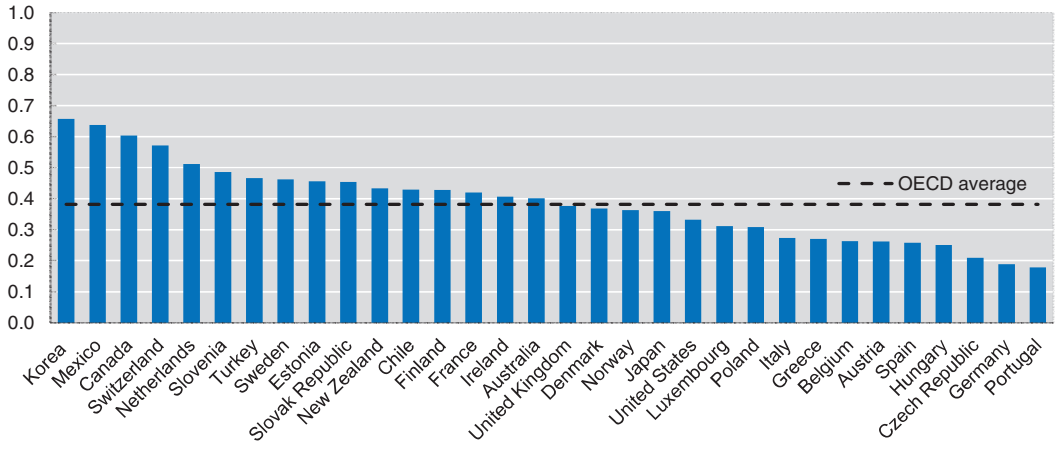
In the budget request process, departments and agencies must also prepare a detailed proposal for any proposed new programme, showing how it links with Government priorities, how it will be effective in achieving those goals, and how it links to other similar government expenditures and programs. They must also submit evaluations of all programmes on a four year cycle. Thus, both a rigorous pre-approval and post-implementation evaluation process is in place.

At the end of the budget year, departments must submit a detailed **Departmental Performance Report** to the central agencies and to parliament, as an accountability document to demonstrate how actual performance compared to planned performance in the Report on Plans and Priorities. According to the Treasury Board of Canada: "through DPRs, individual departments and agencies provide information on how they are progressing toward their strategic goals–also known as strategic outcomes."

Source: Canadian Department of Finance: www.fin.gc.ca/activty/consult4-eng.asp, Treasury Board of Canada, Expenditure Management System: www.tbs-sct.gc.ca/ems-sgd/exms-sygd-eng.asp, Treasury Board of Canada, Reports on Plans and Priorities: www.tbs-sct.gc.ca/rpp/index-eng.asp, Treasury Board of Canada, Departmental Performance Reports: www.tbs-sct.gc.ca/ems-sgd/esp-pbc/dpr-rmr-eng.asp.

Indeed, without links to the budget and appropriate financing for planned measures, strategic planning can become a paper exercise that cannot be implemented. As such alignment of resources with strategy and objectives is critical for strategic planning to remain a meaningful exercise. Moreover, links between strategic planning and budget process can help governments to track spending against the achievement of key government outcomes. Without an understanding of where public monies are being spent and for what value, it is very difficult for governments to prioritise policies and programmes and to steer their implementation (OECD, 2011a).

Figure 4.4. **Use of performance budgeting practices at the central level of government (2012)**



Source: 2013 *Government at a Glance* based on the OECD 2012 Survey on Budgeting Practices and Procedures.

The OECD experience shows that there is no right or wrong answer to whether strategic plans should be driven by the budget or whether funds could be re-allocated to meet strategic goals. Yet, country's budget should not be developed in isolation of strategic planning. The budget and the plan should reflect the negotiation between those responsible for budget allocations and those setting the strategic direction of ministries (OECD, 2012b). Performance budgeting is the link between strategic planning and budgeting by translating vision programme spending (OECD, 2012b) and is one of the key principles of effective corporate management. Kazakhstan is already working towards introducing a results-oriented performance budgeting system, as was acknowledged in the General Approaches to Modernization of Public Administration by 2020. Since its independence, the country has introduced a wide range of reforms into its budgeting system, from programme budgeting to the establishment of the National Fund of Kazakhstan in 2000 to serve as a saving reserve of oil revenue for future generations.

This reserve became an important instrument of enabling macroeconomic stability in the country. The 2008 Budget Code provided the legal foundation for results-based budgeting and also introduced a medium-term budget framework. Most recently, Kazakhstan has developed a concept of the new budgetary policy in fulfilment of the Strategy 2050 set out by the President in 2012, which aims to establish foundations for balancing public finances and increasing budget effectiveness. In particular, one of the core objectives involves improvements in the system of state planning and practical application of performance-based budgeting. In general, however, there is a need to ensure that social and economic planning documents are clearly linked to and integrated with strategic planning, budget planning, programme planning and performance evaluation and accountability systems across the same timeframes.

While Kazakhstan is already taking steps towards results-based budgeting, further efforts would be important to develop an effectively functioning and more integrated system. First, the links between planned results included in the strategic plans, budget programmes and resource allocations are not yet very clear. This could also be explained by the fact that Parliament does not receive ministerial strategic plans, which outline expected achievements. Yet it is ultimately the Parliament that decides on the allocation of budget to ministries and across the government. Currently the process of resource

allocation is based on the ministerial functions and competencies fixed in the legislation. These links could be strengthened both by budget and strategic planning, as well as performance and spending reports, possibly by establishing joint three year priorities and budget plans and reports, submitted to the Parliament. This is the direction already proposed by the Kazakhstan Government's new concept of the new budget policy. Approaches of selected OECD countries to performance budgeting can provide an interesting model to consider (Box 4.3).

In addition, Kazakhstan may consider introducing a budget consultation process, wherein the responsible minister would travel throughout the country to meet with stakeholders to discuss their suggestions for the forthcoming budget, both for tax measures and expenditure measures.

Next, it would be important to ensure that budget expenditures are determined on the basis of strategic and programme documents, as well as the efficiency and effectiveness of existing programmes. For example, some advanced OECD countries have developed strong programme evaluation systems to assess effectiveness of proposed policy options, including specific programmes, both for the existing and proposed (budget) programmes, which link back annually to the results-based resource allocation and reallocation process.

Moreover, currently, Kazakhstan establishes key results indicators for agencies as part of the budget process, and these are used as an accountability mechanism between individual Ministers and the Prime Minister. Opportunities for improvement are in moving towards outcome results indicators, rather than process and output indicators. It should be noted that this is a challenge in many governments, given that outputs (e.g. number of kindergartens opened, or number of engineers graduated by the higher education system) are easier to identify and track than outcome indicators (such as the impact of kindergarten programs on later school performance, or whether the engineering graduates have received a quality education that gives them the knowledge and skills needed by Kazakh industry). Nonetheless, outcome indicators should be established for programmes wherever possible, so that ex-post evaluations of programme and policy effectiveness can determine whether the programmes are achieving the outcomes intended. In this respect, the performance budgeting system can be enhanced through the use of programme reviews and programme effectiveness evaluations tied back into the resource allocation process. In addition since programmes may contribute to multiple objectives, cross-cutting sectoral programme reviews are an important tool to enhance the effectiveness and cost-effectiveness of Government programmes.

Finally, as noted elsewhere in the report, ensuring links with the human resource management planning is increasingly critical when developing strategic plans and making budget allocations, and should be considered as part of the strategic HR function (see Chapter 5).

Overall, Kazakhstan has many elements of and ripe conditions for introducing results-based budgeting. Yet increasing the links between budget and strategic planning, increasing the openness and inclusiveness of the budget-setting and monitoring process, as well as moving towards outcome-oriented indicators would be important for Kazakhstan to achieve the next level of development.

Recommendations

4.3. Reinforce the existing performance budgeting process through introducing more transparent pre-budget consultation with business and civil society, developing stronger outcome-based indicators for government programmes (in line with the General Approaches to Modernisation of Public Administration of Kazakhstan until 2020)(see also recommendation 5.16).

4.4. Systematically enhance the quality of the assessment of all government programmes and spending on a cyclical basis, through the use of programme and policy effectiveness evaluation and performance results reporting, linked to the budget allocation process.

Monitoring and implementation for results

Lessons learned from OECD Public Governance Reviews show that strategic planning, policy design and development are only useful if the policies are effectively put in practice. Indeed the best plans and policies only come to fruition if they are implemented efficiently and effectively, and if government programmes are properly integrated and co-ordinated. The implementation phase links the establishment of a plan or a policy and their consequences for the people whom it affects.[8] It involves translating the goals and objectives of a plan or a policy into an operating, ongoing programme. This requires specific capacities, including knowledge, awareness and skills.

Yet, policy implementation is often neglected, both in OECD countries and beyond. This challenge may be linked to the widespread separation of policy from operations as a result of the introduction of the New Public Management philosophy in many countries. Robust implementation also requires systems and processes for the monitoring and evaluation of progress, as otherwise it is hard to assess progress and take corrective action if needed.[9]

The central agencies have a key role to play in ensuring the implementation and achievement of results. To do so, they may rely on a wide range of levers, including hard and soft ones (Table 4.1). As noted, examples of hard levers to support implementation of vision and strategies may include specific laws, policies, programmes, budgets, institution building (e.g. creation of networks or think tanks to advance understanding of best policy options), pre-implementation analysis processes (Canada, Australia), measurement and monitoring, co-ordination, implementation assessments (USA, Canada), capability reviews to ensure sufficient capacities to implement ministerial mandate , implementation units which track policy and programme implementation from the Centre of Government (e.g. Australia's Cabinet Implementation Unit, PEMANDU in Malaysia and the UK Prime Minister's Delivery Unit – see Box 4.4 and Chapter 2). For example, many OECD countries use lower-level documents to outline how a government's agenda will be operationalised throughout the term of Government. Examples of such documents include the Government Action Plan in Estonia and the Government Strategy Document in Finland.

Box 4.4. **Implementation units in Australia, the United Kingdom and Malaysia**

Countries such as Australia, the United Kingdom and Malaysia have established Implementation Units within their central agencies at different times to monitor policy and programme implementation. These units may have the role of pre-implementation review of proposed programs to determine their readiness for implementation, or may have a monitoring role to ensure effective implementation. These implementation units use a combination of hard levers (e.g. formal implementation analysis) as well as a variety of soft levers such as training and the exchange of best practices to improve implementation performance.

The United Kingdom

The Prime Minister's Delivery Unit in the United Kingdom under Prime Minster Blair used quantitative indicators to measure how the departments are performing on the prime minister's top priorities and could intervene with a targeted action in case adjustments were required. The role of the PMDU was as follows: The Prime Minister's Delivery Unit aims to help to deliver better and more efficient public services by monitoring and reporting on delivery of the PM's top delivery and reform priorities; identifying the key barriers to improvement and the action needed to strengthen deliver; strengthening departments' capacity to deliver, through capability reviews and sharing knowledge about best practice in delivery; and supporting the development of high quality PSA targets that will effectively incentivise improvements in public services.[1]

Australia

The Cabinet Implementation Unit in Australia, established in 2003 in the Department of Prime Minister and Cabinet, aims to ensure a rigorous follow-up on the implementation of policies: "The Cabinet Implementation Unit provides support and advice to the Prime Minister on the development, implementation and delivery of the Government's strategic priorities. This includes the preparation of regular reports to the Prime Minister on the progress with key policy initiatives. It also includes working collaboratively with departments and agencies to improve the planning, implementation and delivery of key government priorities".[2]

The Cabinet Implementation Unit conducts regular, short Implementation Planning 'Workouts' to provide agencies with practical information to help improve implementation planning. The Unit seeks to ensure that policy prepared for consideration by the Prime Minister and Cabinet has clear goals, a robust assessment of costs and benefits, and clarity about how it will be implemented. The Unit helps departments and agencies to prepare their implementation plans and to identify, assess and manage implementation risks. The Unit also monitors the progress of the implementation of key government decisions and reports to the Prime Minister and Cabinet on the status of these decisions.

Malaysia

In 2009 the Prime Minister of Malaysia established PEMANDU, the Performance Management and Delivery Unit in the Prime Minister`s Department, which draws on both public and private sector officials to oversee both the government and economic transformation processes:

"The Performance Management & Delivery Unit (PEMANDU) was formally established in 2009 and is a unit under the Prime Minister's Department. PEMANDU's main role and objective is to oversee the implementation, assess the progress, facilitate as well as support the delivery and drive the progress of the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP).

Box 4.4. **Implementation units in Australia, the United Kingdom and Malaysia** (*cont.*)

While the responsibility for end-to-end delivery of National Key Results Areas (NKRAs) and Ministerial Key Results Areas (MKRAs) outcomes ultimately rests with the respective ministries, and the success of the National Key Economic Areas (NKEAs) rests with the private sector, PEMANDU has been mandated to catalyse bold changes in public and private sector delivery, support the ministries in the delivery planning process and provide an independent view of performance and progress to the PM and ministers."[3]

Through PEMANDU, the government ensures effective implementation of its transformation initiatives against Key Performance Indicators, while also drawing on private sector expertise to assist with the process of government and economic transformation.

1. UK Cabinet Office, Prime Minister's Delivery Unit: http://webarchive.nationalarchives.gov.uk/20060715142152/cabinetoffice.gov.uk/pmdu/.

2. Department of the Australian Prime Minister and Cabinet, Cabinet Implementation Unit: www.dpmc.gov.au/implementation/index.cfm.

3. About PEMANDU: www.pemandu.gov.my/about.aspx

Source: OECD (2012), *Slovenia: Towards a Strategic and Efficient State*, OECD Public Governance Reviews, OECD Publishing, Paris.

Soft levers to enable change in behaviour and support effective implementation in turn include government-wide management frameworks that set out general performance expectations and good practices, values codes, recognition systems and employee engagement, research, exchange of good practices, client surveys and engagement in service design.

For example, the New Zealand State Services Commission also uses soft levers such as training, client surveys and communities of practice to improve service performance in departments and agencies. Another example of the soft implementation lever used by OECD countries includes UK Customer Service Excellence Standard framework, which offers departments a tool to self-assess their service capacity and their service performance. "The Government wants services for all that are efficient, effective, excellent, equitable and empowering – with the citizen always and everywhere at the heart of service provision. With this in mind Customer Service Excellence was developed to offer services a practical tool for driving customer-focused change within their organisation. The foundation of this tool is the Customer Service Excellence standard which tests in great depth those areas that research has indicated are a priority for customers, with particular focus on delivery, timeliness, information, professionalism and staff attitude. There is also emphasis placed on developing customer insight, understanding the user's experience and robust measurement of service satisfaction."[10]

Public organisations may also receive an official certification of having achieved high standards through an external review by independent audit, which allows them to display the Service Excellence Standard to their clients.

Greater reliance on both hard and soft levers is core to the strategic nature of the Centre of Government. Central agencies in Kazakhstan tend to be relatively strong in terms of their advice on the vision and monitoring dimensions of performance, but weaker in terms of using soft levers to facilitate implementation, effective service design and delivery. Kazakhstan's centre would also benefit from great attention to performance

from the perspectives of practitioners (i.e. the front line) or users and recipients of public services.

As noted, strategic planning has no purpose if it cannot be operationalised. While Kazakhstan's ministries and agencies are overall effective in integrating strategic documents into their operational plans and objectives, the profusion of different strategic plans often makes this exercise mechanical, without support of other "softer levers" including building capacity, training and reward mechanisms. Moreover, as also shown in the experience of OECD countries, focusing on fewer strategic objectives may enable ministries and agencies to ensure effective implementation of their overall mandates, as focusing solely on target reaching may sideline other important considerations and tasks, as well as limit the development of true policy capacities in ministries in their fields. Ensuring that staff are professionally trained for their respective functions is also an essential requirement for success. Policy and programme implementation are hampered by the frequent change in priorities of government, and turnover of both senior and middle management.

In addition, mechanisms for consultation, co-ordination and collaboration between the Centre of Government, government ministries and related government bodies need to be in place in order to facilitate effective implementation. These mechanisms are also needed to help manage the relationship between the political and the administrative levels so that policy making and as implementation processes relies on inputs and advice from the public administration.

While there are multiple strategic plans that exist in Kazakhstan, many activities seem not be grounded in strategic planning, and the implementation of such plans is often not synchronized with fiscal reality (see Chapter 5). In addition, Kazakhstan's approach to strategy setting and implementation places less emphasis on how it will ensure its objectives are met. Equally important is to ensure buy-in from ministries and agencies so real strategic planning should take place at their level. The tools developed by the Centre of Government primarily rely on top-down approaches, ultimately making it vulnerable to being sidelined by ministries and agencies. As such, mechanisms to enable stakeholders and ensure buy-in will need to be increasingly strengthened.

Moreover, Kazakhstan has extensive monitoring processes by central agencies (see Chapter 2 and next section in this chapter). It has also incorporated an implementation and monitoring function into its management accountability systems, including through the annual process of evaluating the management performance of state bodies and the implementation of strategic plans. Yet, it primarily relies on 'hard levers' to ensure high levels of performance, which are not always the most effective in changing behaviour. One additional 'hard lever' Kazakhstan could consider would be creating an implementation unit either in a central agency devoted to management, or in the chancellery (see Chapter 2). Kazakhstan could also consider using 'soft levers' more extensively, such as training, communities of practice and good practice dissemination. The Civil Service regional hub in Kazakhstan serves as an important example of how the use of 'soft levers' can help promote reforms and achieve results.

Box 4.5. **Implementing and monitoring one-stop government service in Kazakhstan**

In Kazakhstan, the unit responsible for E-Government in the Ministry of Communications has oversight over the implementation of the one-stop service centres, and has established a monitoring centre which provides video and computer-based monitoring of the service waiting times and service quality as rated by the clients. This is a sophisticated implementation and monitoring example using inter-based technology. Staff of the monitoring centre alerts the manager of distant service centres when problems are observe or service standards are not being met.

Recommendation

4.5. Strengthen implementation practices by considering the establishment of an Implementation Unit in the Centre of Government and adopting additional soft tools to enhance policy and programme implementation across the government, such as training, communities of practice, and good practice identification and dissemination.

Performance assessment, accountability and evaluation for results

Performance assessment and accountability serve as the core mechanisms to steward the implementation of the strategic vision at the system-wide level. This system is also critical to enable ministerial empowerment and performance. While central agencies overall are accountable for the government-wide implementation of the vision and its results, as well as for the oversight of delegated responsibilities, it is important to establish effective performance management systems on a whole-of-government basis, based on respecting ministerial mandates and accountabilities. This would avoid rigid 'command and control' structures and micro management, but instead allow to work toward a system where central agencies can exert effective oversight and clarify lines of accountability. Line ministries also need to exercise leadership for the actions and policies for which they are responsible, within the overall framework of a shared collective commitment.

There are several core components to having sound performance management and accountability systems, including:

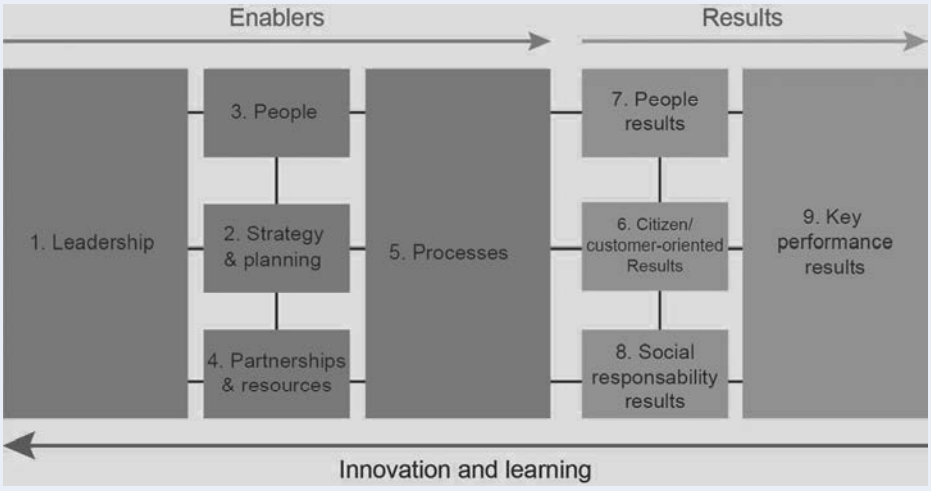
Having a sound performance monitoring framework.

Performance frameworks can be developed for both management, and policy and programme results. For example, some countries in Europe, North America and Asia use the Malcolm Baldrige Award criteria originally developed by the US Government to improve the management performance of government agencies and the private sector.[11] Subsequently, many governments have established a system of awards for excellent performance using Baldrige Award criteria,[12] and ISO 9004-2009 standards,[13] or assessments using the European Common Assessment Framework (CAF), which is shown in Box 4.6.

Box 4.6. **The European Common Assessment Framework**

The objective: Developed by European Ministers responsible for public administration, the CAF aims to be a catalyst for a comprehensive improvement process within public organisations in order to improve their efficiency and effectiveness by: introducing public administrations into the culture and principles of excellence; by guiding them progressively to a higher levels of performance; by facilitating the self-assessment of a public organisation in order to arrive at a diagnosis and improvement actions; by acting as a bridge across the various models used in quality management; To facilitate benchmarking and learning between public-sector organisations.

The CAF Model



The use of CAF in Europe: Since the year 2000, nearly 2 000 public sector organisations all over Europe have used the model and the number of CAF Users is still growing.

Source: European Institute of Public Administration: www.eipa.eu/en/topic/show/&tid=191.

In Asia, 20 governments have formed the Asian Productivity Organisation (APO),[14] which promotes productivity and quality management systems in both the public and private sectors, using similar Baldrige/CAF types of frameworks. In countries like Malaysia, Singapore, Thailand, Korea, Taiwan and the Philippines the government has established a government agency both to promote organisational performance excellence, and to oversee the annual national Quality Awards for organisations in the private and public sectors that have achieved outstanding levels of performance, as assessed by independent external reviewers. In Malaysia, the Malaysian Productivity Organisation which reports to the Minister of Trade and Industry undertakes this role, and in the Philippines it is the mandate of the Development Academy of the Philippines, which reports to the President.

Another example comes from Scotland, which has a comprehensive and coherent performance measurement and evaluation system – Scotland Performs. The system aims to measure and monitor progress in realising its overall vision, articulated in the "Purpose Framework" of the country and also serves as an accountability mechanism. The system clear highlights how each segment, including vision, strategic objectives and indicators can help measure results (see Box 4.7) (Scottish Government, 2012).

Box 4.7. **Performance evaluation in Scotland: Scotland Performs**

Scotland Performs measures and reports on the progress of the Scottish Government in realising its Purpose as established in its Purpose framework. The monitoring and evaluation system includes seven Purpose Targets (economic growth, productivity, participation, population, solidarity, cohesion and sustainability); five Strategic Objectives (wealthier and fairer, smarter, healthier, safer and stronger, greener); 16 National Outcomes describing what the Government wishes to achieve over a 10 year period; and 50 National Indicators covering key areas of health, justice, environment, economy and education designed to track progress in achieving the National Outcomes and through these, the delivery of the Purpose.

Scotland Performs provides accountability based on national priorities established in its National Performance Framework. Progress assessment is updated regularly, and made available publically on the Scottish government's "Scotland Performs" website.

Source: Scottish Government (2012), "Scotland Performs"; www.scotland.gov.uk/About/scotPerforms.

Developing sound performance measures

Performance measurement is the precursor for performance assessment. Without measurement, it is impossible to evaluate, and subsequently adjust, resources and activities. Without performance measurement systems in place, it is difficult to establish accountability and incentive structures at all, let alone for achieving broad policy or reform objectives. Indicators can stimulate and focus actors' efforts in critical areas, create a basis for identifying and disseminating good practice, create a common language that can form a foundation for co-operation, and even stimulate constructive competition to drive productivity and innovation. Like formal processes, performance measurement systems help to promote capacity development and good management practices (OECD, 2011e). In addition, performance measurement systems contribute to the professional and practical knowledge that is necessary for proper evidence-based decision making (see Box 4.8).

While still in progress, some OECD countries have begun developing outcome based measures for evaluating management performance, also focusing on fewer strategic indicators and measures. For example, Australia measures departmental values and ethics performance based on regular employee surveys; and the USA, Canada and Australia measure leadership performance and employee engagement levels through employee surveys. The Canadian Human Resources Commissioners at the provincial and federal level have created a common measurement tool for assessing the levels of employee engagement which is used across the public sector in Canada at the provincial and federal level, and which facilitates benchmarking among jurisdictions and regions. New Zealand, Canada, Malaysia and some Australian states use a common measurements tool[15] for assessing client satisfaction with government services, again permitting benchmarking across government agencies as well as internationally.

Another important feature of effective performance measurement and management regimes in advanced OECD countries is the link to horizontal priorities of the government, thus explicitly seeking to promote co-ordination and partnership between government ministries and agencies. For example, in the United Kingdom, the architecture of Public Service Agreements which are concluded with heads of government organisations include cross-government indicators (e.g. criminal justice system), with named departments and individuals (Senior Responsible Officers) for each

indicator. For this system to work well however, clear accountabilities are essential both at the ministry- and whole of government levels (see Chapter 2 for more discussion).

Box 4.8. **Monitoring and communicating progress: "The Progress Overview" in the Netherlands**

In order to show end-users how far measurable and tangible progress has been achieved, the Netherlands has developed a visible, at-a-glance overview of progress towards achieving 14 key quantitative and qualitative indicators linked to quantitative targets to reduce regulatory burdens on businesses. It uses the idea of dashboard dials to present clearly the targets and how far they have been achieved. Progress is measured against the three core aims of 'less, simpler, tangible':

- "Less" includes targets about administrative burdens, substantive compliance costs, inspection burdens and subsidies;
- "Simpler" measures more reliable, transparent and faster results; and
- "Tangible" tracks perceptions around the issues that business view as key irritants, linked to quantitative targets as well.

Additional information can be obtained in the Netherlands' progress report on regulatory burden: www.mg.gov.pl/nr/rdonlyres/d17c9179-b4b9-4dfe-b197-dccbefee50d1/56432/progress_report_rb09.pdf.

Source: Ministry for Economic and Business Affairs (Denmark); the Regulatory Reform Group (the Netherlands); and the Department for Business, Innovation and Skills (UK) (2010), *Smart Regulation: A Cleaner, Fairer and More Competitive EU*, Copenhagen, The Hague, and London.

Yet, as performance measurement and management evolve, it is becoming increasingly clear that it has to be applied in a careful manner, so that they do not distort behaviours of public organisations which may focused on hitting targets to ensure compliance. Indeed lessons learned from the OECD experience show that public organisations may neglect their wider goals, including those hard to measure, and focus only on what is measurable. In addition, strong focus on short-term targets can prioritise approaches with more immediate impacts, even those which are less cost-effective. Moreover, the requirement to demonstrate improvements from year to year may lead some managers to constrain performance levels so that to avoid setting more ambitious targets in the future. Indeed, performance management has often been linked to unnecessary bureaucracy, particularly in cases when data collection data was seen as costing more than benefits from using data, including lengthy target setting and negotiation processes.

The UK Cabinet Office report indicated that persisting with too many top-down targets can be counterproductive. It therefore stressed the importance of complementing rigours performance management with the need to:

- empower citizens "both extending choice and complementing it with more direct forms of individual control, such as personal budgets... and providing greater transparency of performance";
- foster new professionalism to combine "increased responsiveness to users, consistent quality in day-to-day practices and higher levels of autonomy from central government wherever those at the front line show the ambition and capacity to excel and greater investment in workforce skills"; and

- provide strategic leadership from the Centre of Government to ensure greater concentration on underperforming organisations, while enabling the majority of the organisations "to thrive more autonomously" (Cabinet Office 2008, p.11).

Still, despite these possible shortcoming which need to be carefully managed, wider performance measurement is necessary to incentivise progress and to learn about the effectiveness of policy and management interventions (see Box 4.9).

Box 4.9. **The role of performance measurement in government**

Government performance measurement aims to deliver better outcomes for citizens, improving performance through:

- ***Learning:*** Measuring performance allows government to learn what is working, to identify problems and to adapt its approaches accordingly;
- ***Increasing organisational alignment:*** By clearly stating what government is aiming to achieve, performance management can ensure that effort and resources of multiple organisations and individuals are focused on those things that the government thinks are most important to the public;
- ***Motivating improvement:*** By rewarding success and sanctioning failure, performance management can encourage organisations and individuals to improve; and
- ***Increasing transparency:*** Publishing performance data can increase the ability of citizens to hold government to account for performance levels. This both motivates improvement and is seen by many commentators as a normative good in its own right, reflecting the view that people have a "right" to know what their taxes are spent on (Prat 2006).

Strengthening government-wide performance management and accountability regime

Most OECD countries have developed comprehensive systems for setting government goals, and for implementing, monitoring and evaluating performance,[16] at the following levels (who is accountable):

- Individual managers' performance
- Ministry and agency performance
- Whole-of-government performance against stated socio-economic goals

Some OECD countries (e.g. Korea, the United Kingdom, Canada and New Zealand) also hold managers and organisation heads accountable for achieving results in three areas:

- Management performance and capacity results (inputs)
- Programme delivery results (outputs)
- Policy results (outcomes)

Several OECD countries have established comprehensive systems which monitor, measure and manage outputs and outcomes at all of these levels, while others manage performance only in selected areas.

Figure 4.5. **A framework for performance accountability systems**

Accountability for what and by whom?	Individual Managers	Departments Heads	Central Agencies and Heads of Government	Performance Accountability Systems
LEVEL ONE: INPUTS				
Leadership and goals	✓	✓	✓	Management Accountability Report Card (Management results)
Organisational capacity	✓	✓	✓	
Resource management	✓	✓	✓	
Values, ethics and organisational culture	✓	✓	✓	
LEVEL TWO: OUTPUTS				Programme Accountability Report Card (Programme results accountability)
Service Quality	✓	✓	✓	
Programme outputs	✓	✓		
Organisational efficiency	✓	✓		
LEVEL THREE: OUTCOMES				Goals Accountability Report Card (Policy results accountability)
Programme and policy effectiveness		✓	✓	
Government goals		✓	✓	

Overall, performance management and accountability approaches of advanced OECD countries are summarised in Figure 4.5 above. The Figure shows that performance management and accountability systems can be developed at three different levels: inputs, outputs and outcomes. It also shows that performance management and accountability systems can be implemented at three levels in the public sector: individual manager accountabilities, ministerial heads' accountabilities and central agency accountabilities. Together this framework provides a matrix to analyse a country's performance management and accountability systems, which can generate three types of accountability assessment: for management performance, programme and service performance, and policy outcome performance. Figure 4.6 provides a summary assessment of performance management system in Kazakhstan. The subsequent sections elaborate on this assessment in greater detail.

Figure 4.6. **Summary assessment of performance accountability system in Kazakhstan**

ACCOUNTABILITY FOR WHAT …. AND BY WHOM:	INDIVIDUAL MANAGERS	AGENCY HEADS	CENTRAL AGENCIES	PERFORMANCE ACCOUNTABLITY SYSTEMS	SOME GOOD PRACTICES
Level One: Inputs Leadership & Goals Organisational Capacity Resources Management Values, ethics, and organisational Culture	Managers do not have annual performance agreements that include assessment of Management Performance in areas like employee engagement	Limited accountability for management excellence No systematic capability reviews	Assessment of Management Performance is undertaken for each state agency but not as comprehensive, integrated or outcome-oriented as it could be	The Management Accountability Card (Management results accountability)	Canada's Management Accountability Framework & Strategic HR System New Zealand/UK External Agency Capability Reviews Malaysia Quality Management
Level Two: Outputs Service Quality Program Outputs Operational Efficiency	Managers are not held accountable for efficiency or client satisfaction outcomes	Limited systems exist for obtaining client input in service planning or client satisfaction measurement	Central Agencies hold agencies accountable for programme implementation but no for operational efficiency or client satisfaction	The Programme Acountability Report Card (Management results accountability)	Canada & NZ's Surveys Canada-NZ client surveys (Common Measurements Tool) Ontario Municipal Bechmarking Authority
Level three: Outcomes Programme and Policy Effectiveness Governement Goals Performance	Managers are not accountable for regularly evaluating the effectiveness of their programmes	Agency Heads are not accountable to evaluate program effectiveness linked to the socio-economic goals	Central Agencies do not systematically evaluation policy & program effectiveness in achieving government goals	The Government Accountability Report Card (Policy results accountability)	Canada & USA Program evaluation policy and practice Canada annual socio economic goal reports UK & Canada Roayl Commissions on policy issues

Accountability for management results (inputs)

Kazakhstan has made impressive progress in establishing a monitoring framework for management performance across the government. In Kazakhstan the ministries' performance in managing their own organisations is monitored through an annual review and accountability process, as part of the system of Assessment of Effectiveness of Activities of Public Organisations, established in 2010 by Presidential Decree. Management performance accountability is currently focused on the ministry/agency head level.

The Presidential decrees in 2010 and 2013 (No. 954 and No. 529) set up a formal procedure of annual performance assessment to evaluate the achievements of ministries, oblasts and large municipalities (Almaty and Astana). Jointly the decrees provided that

ministries' performances would be evaluated in the following seven areas of agency management accountability:

1. Implementation of administrative regulations and instructions emanating from the President, the Presidential Administration, the Prime Minister, the Chancellery, the State Secretary (assessed by the Presidency and the Chancellery)
2. Management of Strategic Goals (assessed by the Ministry of National Economy[17])
3. Budget Management (assessed by the Ministry of Finance)
4. Human Resource Management (assessed by the Civil Service and Anti-Corruption Agency)
5. IT Management (currently assessed by the Ministry of National Economy[18])
6. Legal Services management (assessed by the Ministry of Justice)
7. Services to Citizens Management (currently assessed by the Civil Service and Anti-Corruption Agency)[19]

According to the authorities, there is no special reporting for this assessment; it mainly uses the results of ministerial reports submitted to central agencies as part of the regular operations. Authorised bodies are responsible for establishing the assessment methodology in their area, collecting the information provided by the ministries and elaborating the annual assessments. On HRM, for instance, indicators are chosen by the Civil Service and Anti-Corruption Agency and then measured by the HR department of each ministry. The decrees also created a Centre for Performance Assessment within the Economic Research Institute to give methodological advice and control the data provided by ministries.

On the basis of the area-specific assessments, the Ministry of Economy produces a synthesis and submits the overall results to an expert committee chaired by the head of the President's administration. The committee reviews the assessments, validates their methodology, arbitrates disagreements and elaborates high-level recommendations and action plans, which are then transmitted to the Prime Minister's Chancellery. The committee relies on the Centre for Strategic Analysis and Development (CSAD) for analysing effectiveness assessments and monitoring the implementation of action plans. In addition to identifying and addressing specific problem areas, effectiveness assessments are also used as an input by the Inter-sectorial Committee on Administrative Reform in charge of whole-of-government reforms – the latter committee is also served by the CSAD. As required by the Budget Code, these assessments of budget, programme and management performance are made available to Parliament for the discussion of the annual report on the implementation of the national budget. The assessment results also provide recommendations to improve the functioning of the state bodies, reductions in the costs of funding the programme, or their elimination from the budget. The Chairman and members of the Accounts Committee for Control over Execution of the Republican Budget use these reports in evaluating public programs and in reviewing the next round of budget and programme proposals.

As in many other countries, these assessments in Kazakhstan are regularly being reviewed to ensure transition from the focus on process and output measures to outcomes. As elsewhere in the world, it is often easier to focus on output and process measures since operational data is readily available within Ministries, whereas data on outcomes often requires the development of new measurement systems. The set of criteria for assessing

Ministry management performance in each of the seven functional areas is codified via a Presidential Decree and the methodologies employed are set out in considerable detail in the annexes to the Presidential Decrees.

Kazakhstan's government is taking steps to refine its measurement system and improvement assessment approach. For example, while the original set of measures was quite detailed and complex, following President's address in 2014, it was significantly reduced. Thus, at the central level, the government reports reducing the number of assessment criteria by 39%, indicators – by 49% and the overall volume of reporting -by 79%. At the local level, these numbers are 42%, 51% and 74% respectively. These efforts are consistent with the overall trend in OECD countries of establishing fewer measures and concentrating on measures of outcome, like client satisfaction (e.g. France, USA, Canada, and New Zealand).

While Kazakhstan is among the advanced countries in terms of its management assessment framework, there is an opportunity to mitigate some of the adverse effects on ministries (discussed in Chapter 5) and to further strengthen the current system in the following three dimensions.

Comprehensiveness of assessed management areas

While assessment areas vary across the countries and models, Kazakhstan may consider adding other elements of management performance in its next-generation management accountability framework, which can be integrated into existing areas of assessment. These elements may include additional characteristics of good management which are also found in assessment frameworks of other countries. For example, a 2009 study by the United Kingdom National Audit Office[20] examined 33 management accountability systems in OECD countries and within the European Union. Box 4.10 shows the comparison of the selected systems, including Canada, the United Kingdom, the United States, South Korea, the European Union and Kazakhstan. It shows that while Kazakhstan already has a sophisticated assessment model, there are a number of gaps as compared to the areas assessed in other systems. One specific example comes from the European Common Assessment Framework, which has developed a system of 9 criteria with 27 subcriteria for assessment of quality of public organisations. These criteria are divided into enablers (leadership, strategy and planning, people, partnerships and resources, and processes) and results (citizen and customer oriented results, people results, social responsibility and key performance results) (Box 4.11). The Canadian Management Accountability framework in turn includes key internal business functions that are critical to a strong performing organisation. It includes the core areas of management, which are considered central to good management, such as financial management, IM/IT management, management of integrated risk, planning and performance, people management, management of acquired services and assets (including public procurement), security management and service management. In addition, the Canadian model involved elements related to leadership and strategic direction, management of policy and programmes, public sector values, learning and innovation and results and accountability.

Table 4.2. **International comparison of OECD performance management frameworks with Kazakhstan**

Assessment area	MAF Canada	UK Capability Review	US President's Management Agenda	South Korea Performance Evaluation	EU Common Assessment Framework	Kazakhstan Management Accountability System
Leadership	✓	✓			✓	
Organisational structure	✓	✓		✓		
Strategy and policy	✓	✓		✓	✓	✓
Partnership working	✓	✓		✓	✓	
Resource management	✓	✓	✓	✓	✓	✓
Financial management	✓	✓	✓	✓	✓	✓
Performance management	✓	✓	✓	✓	✓	
Risk management	✓	✓		✓		
Learning and innovation	✓	✓		✓	✓	
Customer focus	✓	✓		✓	✓	✓
Performance results	✓			✓	✓	

Source: Adapted from 2009 UK National Audit Office publication.

These models show that some of the additional elements that could be considered by Kazakhstan to enhance focus on good management and results may include quality of governance, integrity, ethics and leadership, quality of systems evaluation effectiveness and internal audit, risk management, customer and citizen focus, performance results and quality of policy and strategy. These additional areas could encourage ministries to develop the necessary capacity to deliver on their competencies and mandate, in accordance with the current trend in Kazakhstan's government of ministerial empowerment (see Chapter 5 for more discussion). As noted, these additions be accommodated within the existing assessment framework, without expanding an overall number of assessment areas by streamlining and increasing sophistication of existing indicators.

In addition, Table 4.3 provides a more in-depth assessment of the current focus areas in the Kazakhstan's assessment framework, in comparison with the criteria used in assessment models in Europe and Canada. Overall, while many areas included in Kazakhstan's assessment framework seem to be similar to those found in OECD countries' assessment models, further refinement could be beneficial to generate a genuine results focus and build high performing public organisations.

Table 4.3. **Analysis of criteria in Kazakhstan's framework of assessment of effectiveness of activities of public organisations**

Areas	Criteria	Assessment and recommendations
Implementation of administrative regulations and instructions	– Completeness of implementation – Timeliness of implementation	While this area may support Kazakhstan in ensuring implementation of administrative regulations and instructions from the top, it may foster the culture of obedience and risk aversion across the public service. To support ministerial accountability, the focus should rather be on the extent to which citizen expectations were met and key results were achieved.
Management of strategic goals	– Quality and completeness of analysis of strategic plans – Achievement of goals and objectives of strategic plans – Analysis of quality of risk management	This is an important assessment area to ensure strategic management of public organisations. Strategic planning and risk management are among core components of effective management. Yet the assessment criteria primarily focus on the analysis of strategic plans, as opposed to the overall ability of organisation to identify strategic goals and steer the organisation towards their effective implementation. For example, the EU Common Assessment Framework (CAF) in the "Strategy and Planning" area of assessment focuses on the organisational ability to develop, implement and communicate strategic goals based on the information gathered on the present and future needs of stakeholders, including relevant management information. The specific assessment criteria include: – Gather information on the present and future needs of stakeholders as well as relevant management information – Develop strategy and planning, taking into account the gathered information – Communicate and implement strategy and planning in the whole organisation and review it on a regular basis – Plan, implement and review innovation and change (to deal with new expectations from citizens/customers, to enhance the quality of the service and to reduce costs) The "Leadership and Strategic Direction" element of the Canadian Management Accountability Framework (MAF) in turn focuses on the ability of organisations to articulate and embody the vision, mandate and strategic priorities that guide the organisation while supporting Ministers and Parliament in serving the public interest. This element emphasises the importance of ministerial autonomy in defining its direction within a broader government-wide framework of strategic priorities. To this end, Kazakhstan may want to emphasise the importance of the quality of strategic direction, including the process for its development at the level of ministries. In addition, it may strengthen the use of the assessment process to steer ministries' attention towards focusing on innovation, citizen and client needs, by reviewing the existing assessment criteria.
Budget management	– Quality of budget planning and implementation – Absence of violations of budgetary or other legislation – Implementation of prescriptions of bodies of state financial control – Achievement of direct results of budgetary programme – Effectiveness of implementation of budgetary programme	Careful preparation and implementation of budget is a key step in effective, accountable and sustainable financial management. Kazakhstan's assessment criteria rightfully focus on this important element. Other organisations, such as the EU CAF also advice considering the following elements in assessing the quality of financial management: – Aligning financial management with strategic objectives in an efficient, effective and economic way – Analysing risks and opportunities of financial decisions – Ensuring budgetary and financial transparency – Ensuring the cost-efficient, effective and economic management of financial resources by using effective financial cost accounting and controlling systems – Delegating and decentralising financial responsibilities and balancing them with central controlling – Basing investment decisions and financial control on cost/benefit-analysis, sustainability and ethics – Including performance data in budget documents, such as information on output and outcome goals

Areas	Criteria	Assessment and recommendations
		In addition, the financial management element of the Canadian MAF in turn emphasises the quality of internal controls, timely and reliable reporting, and fairness and transparency in the management of assets and acquired services. While the OECD does not have access to the specific measures used to assess these criteria in Kazakhstan, it appears that the country may benefit from greater integration of the elements mentioned above to ensure effective and sustainable financial management.
Human resource management	– Effective use of human resources – Training of public servants – Level of corruption – Level of satisfaction of public servants	People are the organisation's most important asset. This area appears to be well-developed in Kazakhstan focusing both on the enablers to ensure effective use of human resources, as well as the "people" outcomes, such as public servants' job satisfaction. To further advance this area, Kazakhstan may wish to be more explicit about the link between the use of human resources and organisation's strategy, as public organisations should manage, develop and release the competences and full potential of its people at individual and organisation-wide levels in order to support its strategy and planning and the effective operation of its processes (CAF 2013). To this end, the EU CAF includes the following assessment criteria which emphasise strategic role of human resources in delivering on organisation's mandate: – Plan, manage and improve human resources transparently with regard to strategy and planning – Identify, develop and use competencies of people aligning individual and organisational goals – Involve employees by developing open dialogue and empowerment, supporting their well-being The Canadian model in turn emphasises the role of effective people management in optimising the workforce and the work environment to enable high productivity and performance, effective use of human resources and increased employee engagement. This calls for greater attention to work environment, including respect and fairness, open dialogue, empowerment, reward and recognition, care and also providing health and safety. Moreover, to achieve sound results for organisations in a sustainable manner, in addition to job satisfaction, it would be important to also focus on commitment to the organisation as one of the key outcomes (which both amount to employee engagement). Commitment to the organisation is different from job and organisation's satisfaction in that it focuses on the level of pride people feel for their organisation, and the degree to which they intend to remain with the organisation, perform at high levels, positively recommend the organisation to others, and improve the organisation's performance. Thus employees that are engaged "contribute to better organisational performance, and ultimately, improved public trust and confidence.[1] Finally, once the level of corruption is reduced across the public sector, the country may want to transition towards the assessment of the extent to which organisational culture embeds public service values.
IT management	– Effectiveness of Internet use – Use of inter-ministerial IT systems – Productivity of inter-ministerial IT systems – Share of partially/fully automated organisational functions	Kazakhstan may consider emphasising the strategic nature of IT in supporting public organisations to achieve their goals and objectives. For example, the Canadian MAF includes an element on IT management, which should "safeguard and manage information and systems as a public trust and a strategic asset that supports effective decision-making and efficient operations to maximise value in the service of Canadians."
Legal services management	– Quality of regulatory activities – Legal monitoring of laws and regulations – Claims administration activities	While this area is not measured in the European and Canadian models, given the importance of improving regulatory quality in Kazakhstan, its inclusion appears to be well-justified. It would also be important to ensure that this assessment area is accompanied by outcomes of effective legal management system, such as the quality of the RIA process and stakeholder satisfaction. In addition, as discussed in Chapter 5, this area may focus on assessing the quality of policy analysis conducted by ministries or other activities which encourage ministries to develop their analytical capacities.

Areas	Criteria	Assessment and recommendations
Service delivery	– A number of new public services, included in the registry – Adoption of public service standards – Adoption of public service regulations (reglaments) – Level of automation of public services – Effectiveness of service delivery internal control mechanisms – Timeliness of service delivery – Share of public services provided through the portal "e-government" and one-stop shops	The current criteria for service delivery (e.g., automation, use of service standards), while containing important elements defining service quality, nonetheless appear to have a limited focus on citizens. Across most OECD countries, there is an increasing trend for citizen-centered service delivery efforts. To this end, Kazakhstan may include more explicitly the level of citizen satisfaction with service delivery as one of the key criteria. In addition, it would be important to identify, in an empirical manner, some of the specific drivers of citizen service satisfaction for Kazakhstan and focus measurement and assessment efforts in those areas. In some other countries, such as Canada and South Africa these drivers include: – Outcomes (whether clients/citizens received the requested service) – Access (whether qualified clients/citizens have equal, easy and fast access t services) – Courtesy, fairness and equity (whether the service was provided with courtesy, in a fair and equitable manner, including the process and outcomes) – Timeliness (whether the service was provided within the timelines, consistent with citizens/clients expectations) – Knowledge and Competence (whether the staff providing service had the necessary knowledge and competence) – Value for Money (whether the clients/citizens felt that the service provides value for money (public or private)).[2] Finally, Kazakhstan may consider including a greater emphasis on partnerships in service delivery, which would be increasingly necessary if the country is to move towards greater integration of service delivery (e.g., use of life-cycle model). It may also delegate responsibilities for designing service standards to ministries and agencies, particularly in sector-specific areas.[3] These standards should be defined based on citizens and clients' expectations. The assessment criteria therefore could focus on the extent to which service standards have responded to the external expectations.

1. For more information, see www.tbs-sct.gc.ca/pses-saff/2008/ld-report-rapport-eng.asp#fig01.
2. For more information on service satisfaction drivers and tools for improvement of service delivery see www.iccs-isac.org/.
3. The Centre of Government may in turn focus on defining cross-cutting service standards (similar to many OECD countries), such as fair process, timely delivery etc, which could be applicable to most public services.

The assessment process

In terms of the process, as discussed in Chapters 2 and 3, in Kazakhstan, several central agencies are involved in the assessment of ministerial management performance which may result to significant burden on ministries and gaming the system (see Chapter 5). Streamlining the assessment process possibly through consolidating management functions in fewer institutions and moving towards identification of key outcome measures could strengthen the efficiency and effectiveness of both ministries and the Centre of Government. In addition, overtime, it would be important to link the results of the performance monitoring systems to the budget process and individual performance management process, so that management and programme performance has real consequences, both positive and negative. In this context, clarifying and strengthening accountability for management performance at both the ministerial and Centre of Government levels, as discussed in Chapter 2, would be critical. Strengthening the role and accountability of Executive Secretaries in ministries to oversee the management of their organisations and considering the creation of a role of head of public service could strengthen the overall system of management performance and accountability.

Kazakhstan may also consider adjusting the frequency and volume of reporting requirements, depending on the size of ministries and agencies, their performance and risks. For example, in Canada, small public agencies are assessed only once in three years and on a smaller scale, as opposed to the bigger ministries and other public organisations. This approach helps ensure that, given limited capacities and resources of smaller organisations, that they have a possibility to concentrate on the implementation of their core mandate and not only fulfilling central reporting requirements. A similar approach could be adopted for high performing organisations. Kazakhstan may reduce a number of reporting requirements (e.g., reduce the number of assessed criteria in some reporting periods) and the frequency of reporting (e.g., once in two or three years as opposed to the annual basis) for those organisations that scored well on all or some of the criteria. This could help provide performance incentives to organisations as their reporting burden would be reduced, introduce more of a risk based approach to assessment, free up resources in high-performing organisations to innovate and allow central agencies (i.e., assessment bodies) to concentrate their attention on poorer performing institutions. Such risk-based oversight and compliance reporting would focus on a selective set of critical areas and collect compliance data in the areas with high risks, including in performance. It could provide ministries with better incentives to manage risk if organisational performance meets certain standards and is seen to be improving. If organisational performance would be found to be in risk, this would call for more stringent requirements for a specified period until performance improved in a measurable way.

Likewise, the transparency and simplicity of the reporting process (and government to citizen accountability), could be improved by posting the results of management performance monitoring and programme assessments on government websites. This could be in the form of a comprehensive report card for each agency, covering both programme performance and management performance, as done in advanced OECD countries.

In addition, to support the development of a culture of continuous improvement, Kazakhstan is encouraged to enable exchange of good practices among ministries and other public bodies in improving organisational performance and capacities in the assessed areas and beyond. As mentioned, central agencies may consider creating a

repository of good practices which could be accessible to all public organisations and could serve as an inspiration for and examples of improvement.

It would also be important to review the impact of the assessment process on the priority setting within ministries and agencies. A top down approach to assessment may have unintended consequences and does not place enough emphasis on building capacity in ministries (*see Chapter 5 for more discussion*).

Performance measures

Kazakhstan has developed extensive measures which mainly focus on key outputs and processes. Similar to many advanced OECD countries, Kazakhstan is looking for ways to move from process and output measures to outcome measures. Some outcome measures are already being introduced in a number of areas (e.g. citizen, business, and employee satisfaction). Moving to the more comprehensive measurement of outcomes across a wide range of management assessment areas, such as citizen service satisfaction; employee engagement; and values and ethics performance, is a challenge for all countries. Yet active steps are needed in this regard in order to move towards a results based accountability system, achieve greater ministerial empowerment and accountability and deliver on Kazakhstan long-term development objectives.

Addressing the identified issues would position Kazakhstan well in establishing a strategic Centre of Government by balancing performance oversight and flexibility across ministries and agencies to achieve the expected outcomes.

Monitoring and accountability for programme and policy results (outputs and outcomes)

The monitoring of programme results in Kazakhstan is primarily done through monitoring of the implementation of the strategic plans by the Ministry of Economic Development both through the annual assessment (described above) and through the interim (every 3-5 years) and final assessments of the implementation of strategic plans. The assessment of effectiveness of strategic plans by the Ministry of National Economy is done on the basis of ministerial strategic plans and territorial development programmes, reports on their implementation, as well as additional statistical and administrative data. The assessment is based on the following criteria:

1. quality and completeness of the strategic plan/territorial development programme
2. risk management (only for central public bodies)
3. achievement of goals and objectives of the strategic plan / territorial development programme
4. productivity co-efficient of local authorities

Ministries and agencies have an opportunity to raise their objections and concerns in case of disagreement with the Ministry of National Economy's assessment.

In addition, there is also a systematic yearly monitoring of the implementation of the presidential and government directives by the governmental bodies in charge of their drafting. This includes the President's Administration. The schedule of the monitoring procedure is determined by the Ministry of National Economy and enforced by the President's Administration, and each governmental body undergoing assessment presents accounts of its performance to the relevant authorities according to this schedule. The

results of the monitoring of the implementation of approved programmes, as well as any amendment proposals, are sent in at the end of each quarter and reviewed by the President's Administration against planned results. Recommendations concerning the monitoring process as well as the information received are enforced by the Head of the President's Administration.

The principles governing this monitoring system are lawfulness, objectivity, trustworthiness, transparency and accountability. The main review criteria are fullness, quality and timeliness of implementation. Fullness and quality of implementation are reviewed via information obtained mostly from reports, memoranda and letters from governmental bodies; expert conclusions from independent experts, as well as an Expert Commission, consisting of members of the President's Administration and the Prime Minister's Office; reports from the Ministry of National Economy; main indicator levels; online control forms from the database of the President's Administration and the Chancellery; publications in the media and addresses from social groups, deputies and citizens.

Timeliness of implementation is assessed in terms of whether the implementation reports were received by their due date and without any extensions. This is measured according to the expert conclusions within the subdivisions of the President's Administration and the Chancellery of the Prime Minister.

Upon reception of the monitoring results, the governmental bodies concerned have five working days to express any objections, based on supporting documents. These objections are examined by special ad hoc commissions, which cannot involve any of the personnel involved in the monitoring process itself. These then present their conclusions to the Expert Commission within 15 days. Whether any objections are taken into account or not, the timely implementation of the recommendations based on the results of the monitoring is then the responsibility of each individual governmental body.

The Kazakhstan system of Assessment of Effectiveness of Public Organisations also incorporates a system of ensuring accountability for the Management of Strategic Goals. Its current focus appears to be more on ensuring the effective and legal implementation of strategic initiatives, rather than on the effectiveness of the programmes themselves. However, there appears to be no requirement for an ongoing agency review and assessment of individual programs as part of the Kazakhstan strategic management system, linked back to the budget process. In this context, the experience of the United Kingdom, New Zealand, the United States and Canada may be useful.

Yet, focusing solely on the indicators and targets can divert attention from the actual delivery of key priorities in ministries, as they may become tied up in the negotiation and data collection efforts. Multiple indicators and targets may impose a strong burden of reporting on ministries and local authorities that may prevent them from delivering on their primary objectives and mandates. In addition, as already noted, performance reporting requirements can be a significant issue in Kazakhstan, with multitude of indicators and monitoring actors. This system is very labour intensive both for the centre and ministries, particularly when indicators are poorly designed, and conflicting, the process of target setting is arbitrary and timelines are unrealistically compressed. In OECD countries, there is a trend towards the identification of few core indicators oriented towards outcomes, in the areas that are considered to be strategic priorities.

Moreover, as noted in Chapter 2, channels for setting and monitoring performance expectations for whole-of-system priorities are multiple and not necessarily always connected in best ways (e.g. there is a strong disconnect between HRM and strategy monitoring, there are disconnects between strategy setting and monitoring in service delivery). Expectations could further be clarified and systematised, as some of them come from statutes, laws, instructions, assignments, guidance and direction coming from different central agencies, top down indicators, etc. Others sources may include informal practices and understandings that may or may not be codified. As such currently, there is no systematic process for reviewing the total set of expectations, which can lead to unnecessarily high compliance costs. The design of the performance management system should also include performance expectations relating to engaging with citizens on expectations of service delivery standards, and how well these expectations are being met.

Thus, the Kazakhstan system could benefit from a more comprehensive approach in ensuring that all government programmes are efficient and effective in achieving the Government's policy goals. Yet this does not suggest that detailed performance indicators should be monitored in a centralised manner for every single policy. Improvements in this area should rather focus on qualitative improvements to the existing process, including:

- *Selecting a few strategic objectives, including cross-government goals*. This may also involve the assessment of cross-departmental contribution in functional and suggested capability reviews. For example, in the United States, the presidency has evolved from attempts to track all goals in five-year strategic plans and annual performance plans in agencies to a much narrower, higher-level focus. Indeed, the original Programme Assessment Rating Tool under the 1993 Government Performance and Results Act required the Office of Management and Budget in the Presidency to track the performance of over 1 000 programmes across the government. Yet such broad coverage undermined the centre's capacity to clearly convey the President's priorities across the government. As a result, the Obama administration decided to focus on a few narrower goals and supported agencies in their achievement. It also established horizontal goals that involved several agencies (e.g. improving energy efficiency) (Joyce, 2011).[22]

- *Focusing on outcome based indicators* of effectiveness rather than on the process of implementation. The emphasis in monitoring and performance measurement should gradually evolve towards collecting information on the impacts of programmes and policies, which would support the shift to results-based accountability of ministries. In addition, results need to be reviewed and evaluated, not just within ministerial silos, but across ministries, so that the government's performance in achieving cross-cutting policy and programme goals can be measured. This would require greater use of studies to understand views of citizens, customers and other stakeholders as well as robust processes to generate this information. Central agencies' role is to set up results-oriented management frameworks for evaluating programmes and policies, while ministries should put in place measurement systems on key aspects of programme performance; hold managers accountable for achieving results; and ensure unbiased analysis, showing both good and bad performance.

- *Maximising the use of technology for data collection and oversight* through building interconnected data systems, which would allow seamlessly collecting the needed data across the government (Box 3.5). Kazakhstan already has

examples of robust data collection systems through the use of technology as a strategic enabler. Thus the system developed by the former Ministry of Communication and Transport to monitor the quality of service delivery enables to monitor customer satisfaction with provided service in real time (Box 4.5, Chapter 4). This information can serve as a powerful tool for improvement of service design and delivery. Much of this technology can be extended to collect administrative information, also to support the process of assessment. This would require investments to build an enabling infrastructure to track and assess overall performance across the government. This would also allow to simplify data collection and reduce response burden on ministries in terms of planning and reporting. In addition, this would enable the central agencies to make the most use of the existing data and information, including departmental audits, programme evaluations, action plans, reports on the implementation of strategic plans, assessments of effectiveness of organisational activities, reports of the Accounts Chamber, the Public Accounts, and on discussions with departmental officials at all levels.

- *Introducing systematic programme reviews* (Chapter 2). Canada's approach to programme reviews and assessment[23] for systematically reviewing the proposed and existing programs of Government with linkages back to the budget allocation process could provide useful benchmarks for Kazakhstan. The objective of these systems is to replace poorly performing programmes with more-effective programmes.
- *Introducing evaluations of policy and programme effectiveness* (see Box 4.12). As noted in Chapter 2, Kazakhstan would strongly benefit from introducing a systematic approach to the evaluation of policy and programme effectiveness, which could also support functional and proposed reviews of existing spending programmes. It would be important to ensure a systematic nature, as opposed to ad hoc, of effectiveness evaluations (both in the scope of covered programmes and policies and the regularity of evaluations) to enable measurement of reform programme outcomes. The main objective of evaluating effectiveness of government policies and programmes is to understand *i)* the extent to which policy changes have contributed to correcting or ameliorating the problems and *ii)* extent they were implemented as expected. Currently Kazakhstan has already put in place a process for assessing the implementation of government programmes which takes place every three years. Introducing a requirement for effectiveness evaluations would take the current approach to the next level. It would also require sufficient capacities and autonomy in ministries to evaluate policy choices to achieve desired outcomes. Effectiveness evaluation of programme outcomes is facilitated by a clear statement of measurable anticipated impacts at the outset of the programme, and the collection of relevant data throughout its duration. Policy and programme effectiveness evaluations could help the government of Kazakhstan to make decisions on the continuation, relevance and effectiveness of its programmes, including to citizens and business.

Box 4.12. **Programme reviews and programme evaluation in Canada**

- **Up-front reviews of proposed new programmes:** The Government of Canada has adopted a disciplined approach up-front in the planning stages of new programme spending by:
  - Anchoring new spending in the priorities of Canadians;
  - Developing rigorous spending proposals including up-front evaluation of efficiency and effectiveness, and;
  - Linking new spending with existing spending.

This process ensures that the government can make informed decisions on the use of funds, such as ensuring that funding goes to those programs that are high priority for Canadians and produce results.

- **Systematic programme reviews:** *The Strategic Review Process*: organisations must review 100% of their direct spending and the operating costs of major statutory programs *on a four-year cycle* to assess how and whether these programs: are effective and efficient; meet the priorities of Canadians; and are aligned with federal responsibilities. *All organisations are required to identify reallocation options totaling 5% from their lowest-priority and lowest-performing programme spending.*
- **Programme (efficiency and effectiveness) evaluation:** The Treasury Board Program Evaluation Policy requires Department Heads to establish, fund and support Program Evaluation units that undertake in-depth evaluations of the efficiency and effectiveness of departmental programs. The Treasury Board maintains a Centre for Excellence in Evaluation to train and support programme evaluation units, and to share best practices. Programme evaluation reports are submitted to Treasury Board for consideration in the budget allocation process.
- **Reporting on government performance to citizens:** The overall Expenditure Management System provides the framework that ensures Canadians have important information provided to them to hold the government to account for the management of their tax dollars.

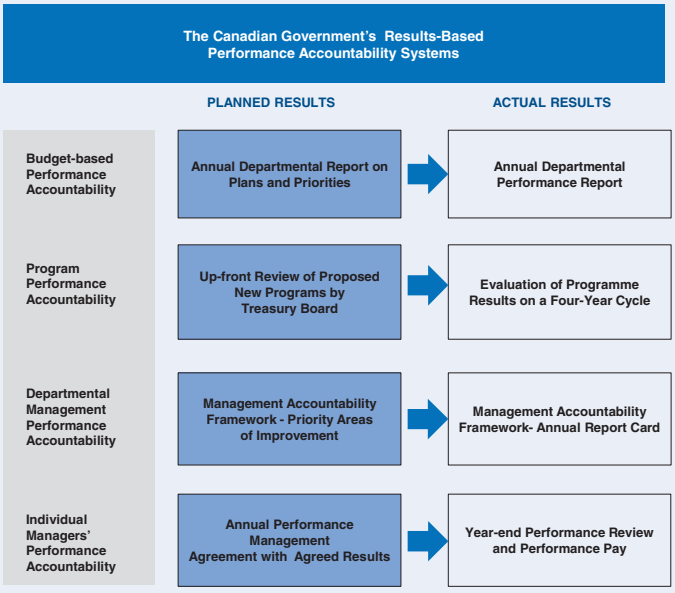
- *Link achievement of government wide, horizontal and ministry specific objectives to individual performance evaluations*, from heads of ministries to individual managers, to strengthen accountability for results. Government-wide performance management timelines should be linked to the budget cycle for greater effectiveness.
- *Enhance public accountability* through transparent publication of performance results and better reporting to Parliament and the president, possibly through an enhanced government-wide performance report of Kazakhstan. In addition to reporting on achievement of key socio-economic outcomes for the country, this report could also map government spending against these goals and broader performance of the Government. Examples of such reports are found in many OECD countries (OECD, 2005): "In the survey, 24 OECD member countries …report to the public on performance results. This is strong evidence that transparency has improved. In presenting this information to the public, the aim is to improve trust in government by showing what government does and most importantly how well it does it. As improving public sector performance becomes

more important to citizens, in electoral terms it becomes increasingly necessary for governments to demonstrate that they are achieving these improvements (OECD, 2005)". In this study, 70% of OECD countries published either government-wide performance reports or Ministry-specific performance reports. Moreover, performance information has to be published in a way that supports public debate and hence in a format that makes it easy for citizens to understand, possibly on a single website. In addition, performance reporting a data could be subject to independent validation on a sporadic, risk-focused basis.

- *Streamline monitoring efforts* (see Chapter 2) and engage ministries in defining core priorities and indicators (see Chapter 5). These efforts could be complemented by providing guidance to ministries and agencies on a demand-driven basis which would also support the new strategic and empowering role of the Centre of Government in Kazakhstan (Chapter 2), but would still allow for a central intervention in high risk situations.

Box 4.13. **Strategic performance management and accountability in Canada**

In addition to the accountability for actual versus planned performance (the Reports on Plans and Priorities and Departmental Performance Reports highlighted in Box 4.3), there are three other major performance accountability systems.



- **Programme efficiency and effectiveness accountability**: Departments are required to evaluate 25% of their programmes each year for efficiency, effectiveness and linkage to government goals, and to identify 5% of those expenditures that could be cut or re-allocated by Treasury Board. These Strategic Reviews are integrated into the budget allocation process.
- **Performance accountability for individual managers,** including heads of departments and agencies (and their managers), is achieved through a system of performance accountability agreements (PAA), Every manager and his or her supervisor must complete a PAA at the beginning of each year, and performance against targets is reviewed every six months. Performance pay bonuses for individual managers is determined by how well they have achieved their programme results targets, their management results targets, and their values and ethics performance.

Box 4.13. **Strategic performance management and accountability in Canada** (*cont.*)

- **Management accountability framework**: The final element in the Canadian performance measurement and accountability framework is the Management Accountability Framework. The MAF was introduced in Canada in 2003, and holds agency heads and managers accountable for continuous management improvement, against rigorous performance measures (for more information, see Annex C).

The internal accountability mechanisms are complemented by a strong role of Parliament in reviewing government performance (e.g. through the 'Government Hour' and reviewing the performance report of the executive), role of Auditor General of Canada and oversight bodies (e.g. Public Service Commission, Human Right Commission) reporting to Parliament, viable media and vibrant civil society. These elements highlight the comprehensive, integrated and results-oriented nature of the Canadian performance management and accountability system.

Source: Treasury Board of Canada Secretariat, Management Accountability Framework, www.tbs-sct.gc.ca/maf-crg/index-eng.asp.

Recommendations

4.6. Strengthen the current approach to assessing organisational effectiveness (Management Performance and Accountability) by adopting a strong focus of continuous management improvement as the outcome of the process, developing a more comprehensive assessment framework, evolving performance measures towards key outcome measures, introducing risk-based oversight and compliance reporting, providing good practices and systematically seeking citizens' views on government performance, including policy and service delivery. Report the results publicly (see also Chapter 5).

4.7. Reduce the number of core objectives evaluated as part of programme assessments and assessments of implementation of strategic plans. These assessments should be accompanied by outcome-based measures and a robust system of evaluation of programme and policy effectiveness and reviews of existing spending.

4.8. Link individual performance evaluation process to the achievement of policy, programme and management results (e.g., results of programme assessments and assessment of organisational effectiveness) and extend the application of performance evaluation, including for management performance, to assess the rest of the management team in ministries and agencies by executive secretary. Extend the system to additional public sector agencies, where appropriate (also see OECD, 2012c).

Independent oversight of government performance: reporting results to President, Parliament and the people

Effective oversight institutions are critical to promote effective accountability, checks and balances, effectiveness, transparency, integrity and prudent use of public resources. Independent oversight and audits of government performance are an important component of sound monitoring and accountability systems. Many OECD governments have expanded their financial, management, and programme results reporting to their respective Parliamentary bodies and also directly to the people. This can be done through reports by the executive branch, as well as through independent audits conducted by parliamentary auditors. In both cases, a major issue is the scope of the reporting. From

narrow compliance reporting, many OECD governments have adopted executive reporting systems and external audit reporting systems that also encompass efficiency and value for money reporting. In OECD countries, external oversight of the executive is provided by a wide range of independent and semi-independent institutions. These range from parliaments, supreme audit institutions, equality and human rights commissions to courts and independent tribunals.

In Kazakhstan, the oversight system is guided by the Constitution. The Constitution grants external oversight of the executive branch to the following institutions parliament, judiciary, accounts committee and prosecutor general:

- Parliaments play a core role in providing accountability for the executive. In Kazakhstan, Parliament already has some instruments available to control executive power, including approving the introduction of martial law and the state of emergency, granting consent for the appointment of key officials including the Prime Minister, and approving all legislation initiated by the Government or the President (this does not apply to Presidential decrees, however). There is also an institution of impeachment as an instrument of parliamentary control over the President. In addition, as in many OECD countries, both chambers of Parliament, individual members, committees and commissions have the right to make parliamentary inquiries into the activities of the Government. Similar to OECD countries, members of the government have an obligation to attend parliamentary sessions and answer parliamentarians' questions (a called government hour). Both chambers of Parliament approve the reports of the Government and the Accounts Committee on control over execution of the republican budget. Parliament at separate sessions of the Chambers approves the national budget and has the right to make changes and additions. Moreover, the last 2007 constitutional reforms extended Parliament's authority in adoption and monitoring of budget execution, and in establishment of the Government (Cabinet). Yet, currently there is no obligation on the part of the executive branch to report to Parliament on the results of its activities and broader governmental performance. To fully realise the important value added by the Parliamentary involvement, Kazakhstan could consider strengthening the role of Parliament in reviewing government performance. This could enable greater accountability of the executive to the people of Kazakhstan for the use of public resources and ensuring administration within the law. One option could involve presenting the lower chamber of parliament with annual reports on government performance, consolidated on a government-wide basis. For example, central agencies could prepare joint, periodic overviews of government performance to parliament. This however may reinforce the need for a more 'joined-up' approach by central agencies.
- Kazakhstan may also consider providing adequate staff for the Parliamentary Committees (e.g. in Canada and the United Kingdom), as well as establishing a Parliamentary Budget Officer found in many OECD countries, who plays an expert support role on matters of the Government's expenditure budget, such as the Congressional Budget Office[24] in the United States and the Parliamentary Budget Officer in Canada.[25] In both cases, this office provides independent analyses of the government's budget proposals and economic forecasts to the members of Parliament.

- Judiciary plays a fundamental role in providing a complaint-based oversight of the activities of public institutions. In Kazakhstan, in recognition of the important role played by this branch of power, both Strategies 2030 and 2050 introduced a range of reforms to strengthen independence of the judiciary. In addition, Kazakhstan is currently discussing a possibility of creating a system of administrative justice, similar to OECD countries. Indeed most OECD countries established a system of administrative review and appeals, including independent bodies (e.g. tribunals) as important mechanisms for enabling government accountability and effective protection of citizens and other stakeholders' rights. These mechanisms also serve to strengthen trust in government and support and improve delivery of public services including through provision of the timely and necessary feedback on the quality of government services, at all levels of government. As such, advancing the reforms in Kazakhstan to establish a viable system of administrative justice, which could ensure fast, impartial and affordable protection of citizens right would be an important step forward both in the creation of an effective accountability regime and in improving performance of public organisations, including reduced corruption and improved public service delivery.

- Supreme Audit Institutions play an important role in strengthening public sector institutions by confirming that controls are operating effectively, identifying waste and suggesting ways in which government organisations can operate better. In Kazakhstan, the Accounts Committee is the supreme body of the state financial control (supreme audit institution) which carries out the external control over execution of the republican budget, directly subordinated and accountable to the President. Its primary role is to ensure compliance with the legislation and regulations related to the implementation of the country's budget. In OECD countries, the government's financial management is examined through three types of audits: attest audits (which verify that the government is keeping proper and accurate financial records), compliance audits (which ensure that the government spends only the amounts authorised by Parliament and only for the purposes approved by Parliament and that government financial transactions comply with financial management policies, regulations and laws), and value-for-money audits (which assess whether government programs are run economically and efficiently and whether the government has in place the means to measure the effectiveness of its programmes).[26]

- Indeed, the broad OECD experience shows that financial and legal audits are important but effectiveness and effective audits should be boosted to ensure sound management of taxpayers' resources. To this end, most OECD governments have expanded the breadth of mandates of external auditors to effectively advance the evolution from narrow financial audit towards more comprehensive audit (Box 4.14). As described earlier, the government of Kazakhstan has prepared a concept on the state audit, which already proposes strengthening of a performance focus of state audits. According to the concept, the external auditor at the national level (Accounts Committee) and the regional audit commissions would be responsible for the systematic assessment of strategic documents, the definition of the level of achievement, and developing proposals for adjustments at the central and local levels respectively. The results of the assessment by the Audit Committee in general will not affect the distribution of budget funds, yet, in accordance with the Presidential Decree No. 861 of 26 August 2009 "On approval

of the draft national budget", they are considered during the budget requests (also see Chapter 3).

Box 4.14. **The role of supreme audit institutions in OECD countrie**

The term Supreme Audit Institutions refers to those audit organisations that are independent of government and which report directly to Parliament on the financial statements of Government, as well as on the quality of financial management and the efficiency and effectiveness of government programmes. In the past two decades, several countries have provided the supreme audit institution with a mandate for broad-scope (called 'comprehensive audit') audits that go beyond financial audit to consider the 'value for money' aspects of government expenditures.

UK National Audit Office: Entirely independent of the Government, the National Audit Office in the UK reports directly to Parliament and have their budget set by Parliament not the Executive. They have two key remits:

- Auditing financial statements of central government bodies (auditing expenditure and revenue of more than £1 trillion over 437 accounts last financial year).
- Running Value for Money studies, looking at how Government projects, programmes and initiatives have been implemented and recommending how services could be improved.

In addition the NAO support the Public Accounts Committee with their work. This is widely seen as the most influential parliamentary committee in the UK. Typically this committee use a report from the NAO as the basis for a public hearing which involves witnesses (including leading business figures, officials and Ministers being scrutinised in public) before the PAC produce a report. Such public challenge is an important part of the process, giving it real teeth and credibility. The Committee is particularly influential because of their wide remit and tradition of being very independent of Government (www.nao.org.uk).

United States Government Accountability Office (The Comptroller General). The Budget and Accounting Act of 1921 created the General Accounting Office, which is independent of the executive departments and under the control and direction of the Comptroller General of the United States 'The Act a provided that the "Comptroller General shall investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him, and to Congress... recommendations looking to greater economy or efficiency in public expenditures." Thus the Comptroller General has a mandate beyond narrow financial audit, and may also examine the efficiency and economy of government expenditures and programmes. He is appointed for 15 years, to ensure his independence from the Executive Branch of Government, He is an officer of, and reports, to the US Congress.

France's Court of Auditors: The Court of Auditors (*Cour des comptes*) is an agency of the French government charged with conducting financial and legislative audits of the central Government, national public corporations, social security agencies and public services. The Court verifies the proper accounting and the handling of public money. The Court's three duties are to conduct financial audits of accounts, conduct good governance audits, and provide information and advice to the French Parliament and Administration.

Source: For more information, see INTOSAI, www.intosai.org, and the Comprehensive Audit Foundation, www.ccaf-fcvi.com.

- In Kazakhstan, the Budget Code provides for internal and external audits focusing on financial performance and control, aimed to detect violations and develop appropriate responses. Yet, while there are some elements of performance focus in the current system of external audit, as recognised in the 2013 'new concept on state audit', the current system is insufficient and does not respond to the requirements of modern public administration. Some of the reported challenges are shown in Box 4.15.
- Some of the possible ways to address the identified gaps and issues in Kazakhstan can be summarised as follows:
  - There is a need for an overall performance assessment and audit system that covers all aspects of government performance
  - The financial management and control system needs to be rationalised to fill gaps, improve integration and reduce duplication
  - There is a need for a systematic and professional internal audit system across the whole government
  - There is a need to implement a systematic and effective risk management system
  - There is a need to professionalise the financial management and audit functions (both internal and external)
- In addition, building capacity of and professionalising financial management and control function in government in Kazakhstan, similar to what was done in many OECD countries over the past two decades should involve building integrated business processes within government bodies "to manage financial risks, understand the financial implications of decisions before they are taken, properly track and account for the financial transactions and operating results of all financial decisions and protect against fraud, financial negligence, violation of financial rules and principles, and losses of assets."[27] To ensure sound implementation of these requirements, the Centre of Government should establish sound monitoring framework, integrated into broader performance management system. In addition, it may also be important to professionalise the Accounts Committee in Kazakhstan by establishing a formal, merit-based system and building professional capacity at all levels, which could allow to both improve the qualification of the public controllers and guarantee their independence from electoral cycles. This may also involve establishing professional certification for key control and audit positions.
- Other institutions providing public control and oversight in Kazakhstan, include the Prosecutor-General who is responsible for ensuring legality in Kazakhstan and is appointed and dismissed by the President. Similarly to OECD countries, the Human Rights Commissioner (Ombudsman) of Kazakhstan has the authority to protect human rights from violations by public officials, ensure the development of legislation, elaborate and introduce educational programs. The Office of the Ombudsman has been established by the President's Decree of the 19 September 2002 and reports to the President.

Box 4.15. Some key issues recently identified by Kazakhstan in the State Audit System

- There is no independent assessment of the effectiveness of government agencies, covering all areas of their business;
- In the control of the state no integrity and consistency exists, since individual elements of the economic system are monitored repeatedly, while others – remain out of control, in particular the majority state-owned financial institutions;
- The reports of financial control include no information about the nature of identified violations and the inefficient use of budget funds;
- There are no signs of improvement in the level of financial discipline and efficient organisation of the management of public funds and assets;
- There is an absence of a unified methodology in the planning, financial control, and use of resources and the state financial control is also not conducive to the effective functioning of the existing system;
- The functions and powers of state bodies which carry out internal and external control, is not legally separated, which leads to increased duplication of their work and reduces the efficiency of the entire system of state financial control. There are inefficient mechanisms of interaction across state financial control systems;
- A third of all control activities falls on checks carried out at the request of law enforcement agencies and regulations. As a result, some activities are verified multiple times by all bodies of financial control, and some are not checked at all;
- Insufficient internal audit and control activity is not co-ordinated. In addition, internal audit is not set up in all public bodies, nor functioning as a stand-alone service, or as part of a specific structural unit;
- A deficit of qualified personnel exists in the system, and a low level of theoretical and practical vocational training system of state financial control, which is exacerbated by the public sector in the transition to international financial reporting standards. There is no system of certification of auditors in the field of public financial control, which reduces the quality of their work;
- There is no single data base for financial violations and the results of the control measures; and
- There are no common approaches on the functioning of the risk management system. The full implementation of the state audit may be one of the important directions in the improvement of the control of public funds, as well as one of the most effective tools for achieving the strategic goals and objectives.

Source: 2013 Concept of the State Audit System in Kazakhstan

Finally, beyond these formal institutions, OECD countries strongly rely on an additional set of checks and balances in the form of the general public, the private sector and the media to ensure ultimate government accountability to citizens. These stakeholders expect the public service to be responsive to their needs and desires and to act in their best interest. Media and consumer groups play an important role in drawing problems to the attention of officials and politicians. To achieve its objective of professionalising the civil service and joining the top 30 countries, it would be important for Kazakhstan to strengthen the role played by these stakeholders in holding the

government to account through fostering active citizenship, establishing an enabling environment for active civil society and media.

Recommendations

4.9. Strengthen an independent parliamentary audit system, including the audit of the efficiency and effectiveness of government expenditures (comprehensive audit), as envisaged in 2013 Concept note on the state audit in Kazakhstan. Professionalise the internal audit and financial control function.

4.10. Strengthen the role of Parliament in reviewing governmental performance to ensure a greater accountability and transparency of the executive for the use of public resources, including value for money and ensuring administration through the law. Introducing a system of ministerial plans and performance reports submitted to parliament (i.e., a system of ministerial statements) would be an important step in this direction.

Notes

1. Aidan Rose (2003), *Results-based budget practices in OECD countries*, Overseas Development Institute, London: www.eclac.cl/ilpes/noticias/paginas/0/36340/aiden2003.pdf.
2. The model is based in part from the new Government of the Philippines strategic planning cycle, developed by the Department of Budget and Management and the National Economic Development Authority in 2011.
3. For example, Professor Henry Mintzberg (1994), *The Rise and Fall of Strategic Planning*, New York, Free Press; and John Bryson (1995), *Strategic Planning for Public and Nonprofit Organisations*, San Francisco, Jossey-Bass.
4. For more information see www.gov.uk/government/publications/permanent-secretaries-objectives-published-for-the-first-time.
5. The World Bank's data on Kazakhstan: http://data.worldbank.org/country/kazakhstan.
6. "On the system of State planning in the Republic of Kazakhstan", Decree No. 827 of the President of the Republic of Kazakhstan, 18 June 2009.
7. For examples of the implementation of comprehensive audit in developing countries, see the International Programmes of the Canadian Comprehensive Audit Foundation: www.CCAF-FCVI.com.
8. Policy implementation can be regarded as the accomplishment of policy objectives through the planning and programming of operations and projects so that agreed upon outcomes and desired impacts are achieved.
9. Strategic Insights from the OECD Public Governance Reviews.
10. Customer Service Excellence: www.customerserviceexcellence.uk.com.
11. About PEMANDU: www.pemandu.gov.my/about.aspx.

12. National Institute of Standards and Technology: www.nist.gov/baldrige.

13. International Organisation for Standardisation: www.iso.org.

14. Asian Productivity Organisation: www.apo-tokyo.org.

15. The Common Measurements Tool and the associated client-satisfaction benchmarking service is managed by Canada's inter-governmental Institute for Citizen Centred Service in Toronto: www.iccs-isac.org/cmt/?lang=en.

16. National Audit Office (2009), *Assessment of the Capability Review Programme*: www.nao.org.uk/wp-content/uploads/2009/02/0809123.pdf.

17. Before the major reorganisation of the government in August 2014, this element was also assessed by the Ministry of Regional Development.

18. Before the major reorganisation of the government in August 2014, this element was also assessed by the Ministry of Transport and Communications

19. Before the major reorganisation of the government in August 2014, this element was also assessed by the Ministry of Transport and Communications

20. National Audit Office (2009), *An International Comparison of the United Kingdom's Public Administration*, London (Study conducted by Accenture for the NAO)

22. See Martín Alessandro, et al. (2013).

23. Treasury Board of Canada Secretariat, www.tbs-sct.gc.ca/cee/index-eng.asp.

24. www.cbo.gov.

25. http://pbo-dpb.gc.ca/en/.

26. www.tbs-sct.gc.ca/report/rev-exa/ar-er-eng.pdf.

27. www.tbs-sct.gc.ca/fm-gf/tools-outils/mc-fc-eng.asp.

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The World Bank's data on Kazakhstan: http://data.worldbank.org/country/kazakhstan.

Chapter 5

The general organisation of ministries in the government of Kazakhstan

Kazakhstan is considered as one of the countries of the former communist bloc that has been most successful in modernising its governance systems, with the help of a long period of rapid economic development and political stability. However, its reform programme, conducted by a centralised State structure, has so far had less success in enforcing rules of public accountability towards citizens and in enhancing professionalism in the civil service. In this context, this chapter provides an analysis of the structures, functions and relations to other public and private entities of the Kazakh ministries; their policy-making capacity from the design stage to the implementation of measures; and their management of human resources, the budget, the oversight of subordinate organisations, and integrity issues. In each of these areas, the chapter reviews recent decisions, assesses the current situation, proposes examples of good practice from other countries and makes policy recommendations.

Recommendations

General principles of organisation of the government

5.1 Clarify the distinction between government agencies and ministerial services and committees. In cases of conflicting functions or impartiality issues, consider the creation of arms' length agencies.

5.2. Reduce the frequency of changes to the structure and mandate of the Ministries to increase organisational stability.

5.3. Reform the planning system by (1) collecting in a systematic and transparent way contributions from all parts of the government to the elaboration of high-level planning documents; (2) initiating a gradual reduction of the scope of planning with the aim to focus on a limited number of governmental priorities and areas of inter-ministerial co-operation (*see also recommendation 4.1*).

5.4. Encourage initiatives aimed at developing policy analysis, increasing regulatory quality or investigating innovative approaches such as risk management – and more generally pro-active attitudes to policy making – in ministries and agencies. This recommendation is consistent with the proposals included in the Kazakhstan's General Approaches to Modernisation of Public Administration by 2020.

5.5. Utilise a common measurement tool for surveys addressing policy and management outcomes (e.g. service satisfaction, employee satisfaction and commitment) across the public sector and conduct the surveys using professional, independent organisations; make the assessment methodology, process and results fully accessible to the public.

5.6. Strengthen formal channels and informal networks of co-operation between ministries/agencies at decision-making, managerial and working level (*see also recommendations 2.11 and 2.12*).

Policy making

5.7. Strengthen routine relations between departments and committees, notably by giving committees a role in the policy design process. In conjunction, prevent committees from developing regulations – as well as regulatory capacities.

5.8. Within the planning framework, strengthen the capacity of ministerial departments to perform policy analyses, conduct and fund research, and collect data. Strengthen information exchange tools and procedures between departments, committees and subordinate bodies. When synergies are important, reintegrate subordinate bodies in charge of data collection and analysis in ministries.

5.9. Reform the regulatory development process in order to make ministerial services responsible for a complete RIA and to submit its result to external scientific assessment, on a more systematic basis. Provide ministries and agencies with RIA methodological guidelines (*see OECD, 2014*).

5.10. Expand opportunities for policy debate and stakeholder engagement and strengthen the role of deliberation and consultation in policy making, in particular by reforming the functioning of expert committees, creating effective ways for citizens and stakeholders to provide input to policy making, pro-actively targeting specific groups, encouraging comments and providing clear consultation mechanisms and timelines.

5.11. Elaborate detailed risk management guidelines; instruct ministries and agencies to implement the guidelines and enhance their risk analysis capabilities; submit the risk management strategies to the same stakeholder consultation and scientific assessment requirements as draft regulations. This recommendation is consistent with the proposals included in the Kazakhstan's General Approaches to Modernisation of Public Administration by 2020.

Recommendations (*cont.*)

5.12. As part of the ongoing modernisation of public services, provide for systematic collection, analysis and publication of data on service delivery and outcomes by independent organisations. Use citizens' and businesses' opinions both to define service standards and to assess services on a regular basis and establish systems for benchmarking service delivery performance domestically and internationally.

Public management in the ministries

5.13. Enhance strategic human resource management by ensuring stronger links between HRM, budget and priority planning within the framework of the strategic plans and link it to the achievement of better organisational performance (*also see 2012 OECD Performance Incentives and Management System in Kazakhstan Report*).

5.14. As part of the effort to increase the autonomy of ministries, allow a development of their analytical capacities. Encourage ministries to co-operate with the CSA in hiring specialised personnel (*also see 2012 OECD Performance Incentives and Management System in Kazakhstan Report*).

5.15. Encourage mobility within ministries, in particular between departments and committees; consider regular employee surveys to measure and enhance employee satisfaction and engagement; advance efforts to reduce staff turnover (*also see 2012 OECD Performance Incentives and Management System in Kazakhstan Report*).

5.16. Strengthen budget planning in order to provide a stable multi-year framework to ministries; achieve the connection of budget and strategic planning; enhance the role of the Tax Committee (also see recommendation 4.3).

5.17. Differentiate the status of subordinate bodies according to the nature of their main activities. Consider streamlining ministerial organisational structures, in particular with regard to administrative functions.

5.18. Increase transparency by systematically identifying and solving issues of conflicting interests, enhancing the role of independent assessment and audit services and opening information on administrative expenditures, including salaries and benefits of public officials. Consider undertaking an OECD integrity review; include questions on departmental values and ethics performance in regular public service employee surveys.

Introduction

The organisation of governments has dramatically evolved in the past twenty years, in OECD countries as well as in countries of the former communist bloc. Within the OECD, the two foremost developments have been the gradual loss of momentum of the reform current called the New Public Management (NPM) and the shift from a sectoral to a more decentralised and complex organisation of governments.

There is considerable debate among practitioners and academics alike about what NPM consisted of and what can be considered as its legacy. According to one author (Barzelay, 2000), NPM is "primarily concerned with the systematic analysis and management of public management policy" understood as "all government-wide, centrally managed institutional rules and routines affecting the public management process". Others, however, define it in much stricter terms (Pollitt and Bouckaert, 2010):

"NPM is a two-level phenomenon. At the higher level, it is a general theory or doctrine that the public sector can be improved by the importation of business concepts, techniques, and values. […] Then, at the more mundane level, NPM is a bundle of specific concepts and practices, including: greater emphasis on 'performance', especially through the measurement of outputs; a preference for lean, flat, small, specialised (disaggregated) organisational forms over large, multi-functional forms; a widespread substitution of contracts for hierarchical relations as the principal co-ordinating device a widespread injection of market-type mechanisms (MTMs) including competitive tendering, public sector league tables, and performance-related pay; an emphasis on treating service users as 'customers' and on the application of generic quality improvement techniques such as Total Quality Management" (TQM).

There is broader consensus over the fact that within the OECD, only a group of countries, principally Anglo-Saxon (UK, US, Australia, New Zealand, Canada) and, to a lesser degree, Northern European (Netherlands, Sweden), implemented a consistent programme of NPM-inspired reforms; and also that by the turn of the century, the NPM had come to exhaustion as a movement and was replaced by a "post-NPM environment", where the influences and objectives of administrative reforms had become more varied.

The NPM was partly associated with a period of transformation in government structures, which saw the creation of numerous agencies, public establishments and shared common services. This process of "agencification" borrowed from the NPM some of its tools and methods, including systematic reviews and assessments of the functions, policies and programmes of existing ministries, strategic reorientation, re-organisation and downsizing, as well as devolution, privatisation or contracting out of some activities. The relation was only partial, however, as agencification concerned virtually all OECD countries, irrespective of their administrative culture, and as its purposes could in fact vary considerably from one case to the other: to improve efficiency through better-focused organisations; to promote specialisation and expertise in government entities; to enhance independence, transparency and credibility of regulatory functions; to increase flexibility and bring public services closer to citizens, businesses and civil society organisations; but also simply to turn around public sector regulations, as well as other circumstancial motives (see discussion in OECD, 2002).

By the early 2000s, a large number of vertically-integrated ministries (departments) across the OECD had been replaced by an array of entities sharing responsibility for elaborating policy and providing public services in each area of public action. Although the resulting fragmentation in government structures was deemed to have positive effects for policy making in many cases, it had also shown some limitations and adverse effects by the early 2000s. In particular, the complex governmental system that it had created was believed to be less transparent for citizens and private actors, more difficult to co-ordinate for policy makers and less amenable to supervision, accountability and democratic control (see Management Advisory Committee, 2004; OECD, 2005).

In the post-NPM environment, recent years have witnessed a change of emphasis from economic efficiency and a preference for market-based solutions to the effectiveness of policy making and the role of governments in orientating market outcomes (see for instance Thaler and Sunstein, 2009). In terms of organisation, this has meant a shift to whole-of-government approaches supposed to overcome sectoral "silos" and address "wicked" (i.e. cross-sectoral) issues (see for instance Christensen and Lægreid, 2007), as well as considerable interest for IT-driven change, which is (among others) expected to facilitate co-ordination both within the government and with non-government stakeholders (see for instance Dunleavy et al. 2005). Diversification in government structures is not necessarily rejected, but the prevailing view in OECD countries is now that it has to preserve the consistency and quality of policy making and to be matched by effective tools of communication and co-operation among government bodies.

Organisational change in transition countries differed with regard to both initial conditions and driving forces. Despite the extreme centralisation of resource allocation and control functions, government structures in communist countries were characterised by considerable co-ordination problems, together with very substantial – albeit informal – autonomy of public bodies (see Box 5.1). Naturally, this initial state of affairs, which gave sectoral ministries a considerably less important role than in the Weberian tradition shared by most OECD countries, has influenced the organisation and functioning of governments throughout the transition period.

The gradual transition to democratic principles of government control and accountability, the emergence of private sector and civil society actors as public policy stakeholders, the adoption of market economy principles and, in the case of Central European countries, the perspective of EU accession have acted as powerful drivers for change in public governance. As countries have followed very different paths in this regard, their governance arrangements have become extremely contrasted (Bouckaert, Nakrošis and Nemec, 2011). The Baltic States are generally considered to have succeeded in their transition (see, for instance, OECD, 2011) and, by some accounts, their public governance systems compare even favourably to those of Western European countries (World Bank, 2006). Developments in other EU New Member States have been less positive, as the accelerated process of modernisation motivated by the integration agenda was often arrested, and sometimes even reversed, once the country was admitted in the Union (Verheijen, 2012).

One feature shared by most countries of the former communist bloc during this historic transition was the large-scale adoption of Western "models" of governance, inspired in particular by the NPM movement, then at its height (Verheijen, 1998). While this facilitated a number of crucial reforms and allowed certain successes, it also led, in some instances, to a hastened application of imported public management ideas without a proper assessment of their adequacy for the host country's needs and capacities

(Dreschler, 2005). In some cases, reform measures were implemented in a superficial and *ad hoc* manner, and failed to produce sustained effects, e.g. in terms of professionalisation of the civil service (see Meyer-Sahling, 2009). In general, foundational reforms such as the consistent application of a system of administrative procedures or the shift to merit-based recruitment and promotion rules in the civil service appeared to be more effective than the implementation of elaborate performance management systems (World Bank, 2003).

Box 5.1. **Public sector management in transition countries and the legacy of the "paradox of communist autonomy"**

"To begin an analysis of the process of agencification, one needs to take into account the initial conditions left by the Communist regimes. These conditions can be succinctly described as the paradox of Communist autonomy. […]

Since the hierarchy [of organisations controlled directly or indirectly by the central committee of the communist party] involved not only public sector as understood in the OECD countries, but also the whole corporate sector (enterprises), the well-known problems of information flows and information asymmetries were even more acute than in public sectors of OECD countries due to span-of-control problems and lack of accountability systems. Managers of organisations were the real masters of the system because of their unique position in the information flows and decision making. Since the "public" and "corporate" sectors were treated equally under the communist system – both were controlled by sectoral ministries and were subject to similar regulatory environment – this blurring not only led to enterprises behaving like "civil service", but also to "civil servants" behaving like corporate managers.

The result was that the communist system bestowed to its democratic heirs a system with a very high number of individual organisations both in the "corporate" and "public" sector with dedicated functions. These organisations were often based on a single-purpose agency principle and the communist system had precise rules for their budgeting, management and HR procedures.

However, these organisations generally had no accountability systems in addition to their supervision by ministries. On the other hand, they had a number of legal relationships sometimes enforceable in courts with other elements of the government. Since the "public sector" organisations themselves and their ministries saw them on par with "corporations" (as it was unclear anyway what belonged where) and as the regulatory framework was similar, this led to high level of both de iure and de facto autonomy.

During transition, this philosophy was reinforced by "a-need-to-survive" mentality of dramatic cuts in budget allocation, in which public organisations were encouraged and forced to raise revenue regardless of their mission and suitability for such an approach.

All of this has led to a situation where the real heritage of communism is not a hierarchical, disciplined public sector, but a chaotic free-for-all, where organisations often have legally defined autonomy, rights and responsibilities, their staff and particularly managers feel certain informal ownership rights and the distinction between public- and private-sector mentality is blurred or non-existent in eyes of most actors. Such a situation certainly influenced agencification processes during the transition period".

Source: Beblavy, M. (2002), "Understanding the waves of agencification and the governance problems they have raised in Central and Eastern European Countries", *OECD Journal on Budgeting*, Vol. 2, No. 6, pp. 121-139.

This experience has led many countries to pay more attention to the sequencing of governance reforms and to place high on their agendas measures aimed at enhancing the effectiveness of policy interventions and improving professionalism in the public administration. Some observers have argued that reform strategies should be tailored to a nation's stage of governance development. In this differential approach, reforms in less advanced states may seek to achieve a transition to the Weberian model, with an emphasis on effectiveness, professionalism, meritocracy and the standardisation of policies and procedures, as well as reduction of corruption. For more advanced systems of public administration with well-developed Weberian systems, the challenge may be to advance from the efficiency model to a system embodying the efficiency and innovation elements of New Public Management.

Kazakhstan is considered as one of the countries of the former communist bloc that has been most successful in modernising its governance systems, with the help of a long period of rapid economic development and political stability (Knox, 2008). The country is, in particular, praised for the consistency of its approach to administrative reform, an increase in the effectiveness of government services and the introduction of up-to-date information technology tools (Suwaj, 2012). It can be argued that, in contrast to the differential approach, Kazakhstan has followed an original governance reform strategy comprising elements from both the Weberian and the NPM models. The reform programme, conducted by a centralised State structure, has so far had less success in enforcing rules of public accountability towards citizens (Verheijen, 2012) and in enhancing professionalism in the civil service (Emrich-Bakenova, 2009).

In this chapter, we present the results of a review of the organisation of Kazakhstan's government that focuses on the role of ministries and public agencies. The chapter provides an analysis of the ministries' structures, functions and relations to other public and private entities; their policy-making capacity from the design stage to the implementation of measures; and their management of human resources, the budget, the oversight of subordinate organisations, and integrity issues. In each of these areas, the chapter reviews recent decisions, assesses the current situation, proposes examples of good practice from other countries and makes policy recommendations. Although it addresses all ministries and agencies, it builds on the in-depth study of the Ministries of Agriculture, (former) Environment and Water Resources, (former) Industry and New Technologies,[1] and Education and Science, which are presented in Annexes E, F, G and H.[2]

General principles of organisation of the government

The key principles of organisation of the government were established between 1995 and 2000 by the Constitution of the Republic of Kazakhstan, the Constitutional law "On the Government of the Republic of Kazakhstan",[3] and a number of foundational pieces of legislation (in particular the law on civil service, the law on administrative procedures and the presidential decree on the structure of the government[4]). In recent years, a second wave of important reforms has transformed this institutional setting (notably the presidential decrees on the systems of state planning[5] and effectiveness assessment[6]). The overall architecture that emerges from these measures has an evolving array of ministries and agencies monitored by a strong and extended Centre of government (see chapters 2 and 3).

The Constitution provides that "Members of the Government shall be independent in making decisions within their competence and are personally responsible to the Prime Minister for the work of bodies subordinated to them" (Article 68). Still, in addition to its co-ordination and oversight functions, the Centre of government of the Republic of Kazakhstan has a strong power to steer the activity of the ministries, at least by OECD standards. It produces the analyses, diagnoses and international comparisons that underpin all important government decisions. It sets the government's key strategic orientations, policy goals and management standards. It leaves to ministries the responsibility of determining the concrete measures to implement governmental policy and achieve the goals they have been assigned, but checks and validates their action plans. In a nutshell, it controls and co-ordinates all of the government's significant policy initiatives – essentially by using two main instruments: planning and assessment.

Structure and functions of the government

The Constitutional law "On the Government of the Republic of Kazakhstan" delineates the competences of the government, understood as both areas and instruments of government intervention. Among the latter, the development of state programs and plans figures prominently. The former include areas of permanent action such as economic policy or foreign affairs, as well as temporary interventions intended to create a public system, for instance regarding "labour remuneration, social protection of citizens, public welfare and social insurance" (Article 9, paragraph 9). The Constitutional law states that the structure and composition of the government should be proposed by the Prime Minister and submitted to the President's approval (Article 3). The number of ministries (12) is close to those found in OECD countries.

A specific law establishes the mandate of each central government body (ministry or agency) and provides the legal basis for its activity. In addition, the law on administrative procedures requires that all functions of a central government body be defined by the law and, although its provisions have been made somewhat lighter in 2011, this is largely the case in practice. Sectoral legislation establishes a list of functions of competent authorities. This leads to a high degree of legal formalism and complexity, where the activity a government body is regulated by a host of laws and regulations. For instance, a recent functional review identified 25 different laws defining close to 600 functions for the Ministry of Agriculture.

Ministries are headed by a minister, two or more deputy ministers and an executive secretary, who is responsible for internal management aspects. They typically have several thousand employees, distributed in between ten and twenty departments and committees. Departments are located at the central level and usually have a small size. Committees are essentially the local services of ministries and employ the large majority of the civil servants. The distinction between the two types of services goes back to a 2004 decree of the President,[7] which for the first time required to separate ministerial functions related to public policy development from those of policy implementation, control and supervision. In 2007, an amendment to the law on administrative procedures[8] formally defined four categories of ministerial functions: strategic, regulatory, implementation and control. On the basis of functional analyses conducted in 2007 and 2008, the government made the separation effective by systematically attributing strategic and regulatory functions to ministerial departments, and implementation and control functions to committees.

In addition, each ministry has a number of subordinate bodies. These can be State-owned corporations involved in the production of marketable goods and services, but also quasi-administrative services in charge of a specific part of the ministry's activities, often of a technical nature. For instance, AgroChim is a subsidiary of the Ministry of Agriculture in charge of defining norms of use of chemicals and gathering information on cultivated soils. The Kazakh institute for industrial development is a subordinate body of the Ministry of Industry that produces studies on industrial development.

The Strategic plan for the development of the Republic of Kazakhstan until 2020 contained certain provisions regarding government functions and structure, including to carry out, on an ongoing basis, functional reviews of State bodies (ministries, local government entities, subordinate bodies) with the aim to "eliminate unnecessary structures, separate overlapping functions, consolidate new structures in the light of strategic objectives and outcomes, and transfer non-core functions to the private sector".[9] As noted in chapters 2 and 3, the reviews effectively started in 2011. They are conducted by the National Analytical Centre on behalf of the former Ministry of Economy and Budget Planning, and concern four bodies every year.[10] In essence, they consist in analysing the body's functions, as defined by the law, from the standpoint of their consistency, effectiveness, and correspondence with the body's strategic objectives and tasks. The reviews help collect and generate a considerable amount of information, in order to map legal functions (whose number reaches several hundreds in some ministries, as noted earlier) into work processes. However, information about budgets and outputs – i.e. what resources are dedicated to each process and for what output – remains rudimentary in all ministries.

Partly as a consequence of these organisational reforms (but only partly), Kazakhstan's government has been subject to frequent "machinery" changes – i.e. changes in the ministries' and agencies' portfolios. In the fourteen years that have elapsed since its adoption, the presidential decree on the structure of the government has been amended 21 times – and most amendments have enacted several portfolio changes. Two cases can help to illustrate these modifications:

- In January 1999, the Ministry of Agriculture was responsible for the management of natural resources (forestry, hunting, fishing and water management). In October 1999, the responsibility was transferred to the Ministry of Environmental Protection (now Ministry of Environment and Water Resources), where two committees where created for this purpose. The committees were relocated in the Ministry of Agriculture in August 2002, and returned to the Ministry of Environmental Protection in January 2013.
- After a transfer of competences in nuclear science from the Ministry of Science and Higher Education, the Ministry of Energy, Industry and Trade became in October 1999 the governmental body in charge of all policies in the field of civil nuclear energy. In March, the Ministry's portfolio was changed into Energy and Mineral Resources as industry and trade-related activities were shifted to another ministry. In March 2010, along with the Ministry's other functions related to electricity and mining, nuclear energy policy was moved to the Ministry of Industry and New Technologies. In May 2012, the Ministry's committee of atomic energy was transformed into the Agency of the Republic of Kazakhstan for Atomic Energy, which reported directly to the President. In January 2013, the Agency was abolished and returned to the Ministry of Industry and New Technologies.

See also Chapter 3 for the description of the transfers of the budget planning function between the Ministry of Finance and Ministry of Economy. Some of the main reforms introduced in the past ten years in the principles of organisation of the government of Kazakhstan have been inspired by the logic of specialisation and fragmentation that we discussed in the introduction in the case of OECD countries. The separation of public entities within the central government has important advantages insofar as it is responds to an identified need and is based on a clearcut functional distinction. Such is the case for the separation between departments and committees, but not always between ministries and their subordinate bodies, and even less between ministries and agencies. As explained in detail in the next sections, the dividing line between the functions of a subordinate body and those of ministerial departments can be blurred, just as the border between commercial and public service functions within a subordinate body. The separation between agencies and ministerial services seems even looser. The creation of an agency does not seem to be systematically linked to a structural motive, but often to circumstantial reasons, as testified by the cases of repetitive conversions that we just described. The government has taken some initial steps to address this challenge by transforming the agencies reporting to the Prime Minister into ministerial committees, in accordance with the President's decree of 6 August 2014.

Indeed, the only discernable difference between agencies and ministerial services was that the former reported directly to the President or the Prime Minister. To justify such positioning, an agency should have dealt either with specific issues under the exclusive competence of the President or the Prime Minister, or with transversal or emerging policy issues that are not adequately handled by the ministries. This was indeed the case for some agencies under the Presidency, such as the former Civil Service Agency, but not for most.

Looking ahead, the denomination of agency could be used for arm's length organisations in charge of policy aspects which are insulated from direct political interference because of conflict of interest, impartiality or credibility issues, as is often the case in OECD countries. A typical example is that of bodies in charge of regulatory supervision in areas involving risks of societal importance, such as financial markets, banking or nuclear energy. In the latter case, the institutional setting favoured by countries such as the United States or France consists in separating activities related to the promotion and development of civil nuclear energy, which rest with the ministry in charge of energy or industry, from safety control, which is transferred to a public agency with a large degree of statutory autonomy. In Kazakhstan, by contrast, all functions related to civil nuclear energy have been bundled together and alternatively attributed to a ministry or to an agency which was not an arm's length body (see Box 5.2). Other agencies, like the Statistics Agency, the Agency on Regulation of Natural Monopolies and the Agency for Competition Protection, had functions which would advocate for a degree of independence from the political sphere, but did not have such independence in their statutes. Currently, as a result of the latest changes in the government structure, these agencies have been transformed into committees under the Ministry of National Economy. Such positioning brings them even closer to the political sphere, thus pointing to the need for clear criteria for differentiating agencies, committees and departments.

Even when fragmentation is based on clear functional and statutory grounds, it can induce various side effects that need to be carefully assessed, monitored and managed. As discussed, it introduces institutional divisions between policy making and the practical and technical knowledge of policy matters that can be detrimental to both – unless associated with effective exchange of information and co-operation tools. In some cases, the connection between some public service areas and strategic policy making can even be lost. In Kazakhstan, this could be the case for the management of forestry, fishing, hunting and water resources, which have been placed under the responsibility of committees attached alternatively to the Ministries of Agriculture and of Environment, so that any link with policy-making departments is likely to be seriously weakened.

Fragmentation also complicates the handling of issues from a whole-of-government perspective, including simple inter-ministerial co-operation. For instance, cross-sectoral work on organic pollutants would probably need to involve not only the ministries of Agriculture and of Environment and Water Resources, but also their subsidiaries AgroChim and the Information and analysis centre for environment protection, in charge of collecting and analysing information on the presence of chemicals in cultivated soils and in the environment at large respectively. For this, the work would need to be integrated in the four public entities' distinct strategic plans, operational plans and budgets.

Box 5.2. **International differences in ministerial functions: the case of safety and disaster risk management**

In Kazakhstan, issues of safety related to a particular activity traditionally fall under the competence of the ministry that is also in charge of the economic development and commercial promotion of that activity: until recently, food safety was a shared responsibility of the Ministries of Health, Industry and New Technologies, and Agriculture; nuclear safety is placed under the Ministry of Industry and New Technologies. The experience of OECD countries in this area is that such concentration of responsibilities can generate conflicts of interest within the ministry and, in particular situations (especially during crises), be detrimental either to the ministry's action in favour of public safety or, at least, to its credibility among the public. During the 1990s and 2000s, this realisation triggered institutional reforms which consisted in transferring the functions of analysis and management of safety issues to specialised agencies and either placing these under the joint responsibility of several ministries (for instance Industry, Health and Environment regarding nuclear safety) or, more often, granting them statutory independence from the central administration. In Kazakhstan, the decree of the President No. 691, dated November 13, 2013, which creates an Agency for Consumer Protection taking over the responsibilities of the Ministries of Health and of Industry and New Technologies in the filed of food safety, might constitute a first step in this direction.

Another specificity of government structures in Kazakhstan is the fairly limited role of the ministry in charge of the environment (formerly the Ministry of Environment and Water Resources) with regard to natural hazards such as droughts, floods and earthquakes. Natural disaster risk management was part of the responsibilities of the former Ministry of Emergency situations, along with civil protection, emergency management, firefighting and industrial safety. In many OECD countries, a guiding principle regarding the organisation of this policy area is its strong linkage with the management of natural resources and with land use policy. Natural disaster risk management is therefore often placed under the authority of the government body in charge of these two functions, typically the Ministry of the Environment (as in the United Kingdom and France), in order to enhance the knowledge and prevention dimensions. The authority in charge of emergencies then remains responsible for preparedness and crisis management.

A second salient issue in the analysis of the situation in Kazakhstan is the frequency of changes in the structure of the government. Admittedly, such changes are commonplace in most countries and can be a useful way of maintaining flexibility and responding to new policy issues. In the case of Kazakhstan, they could also be attributed to the gradual building of a modern State during the first phase of the transition. Some changes, however, have pointed towards the absence of clear strategy with regard to the functions at stake.

The current position in most OECD countries with regard to changes in the machinery of government is to pinpoint that they also have costs, and that alternative, non-structural measures can often be used to achieve the same purposes. Machinery changes temporarily disrupt the affected administrations, induce material costs and can generate losses in organisational culture, motivation and productivity. In short, they have to be considered only when their necessity and utility have been clearly established, and even when that is the case, have to be implemented with caution in order to improve their chances of success and to minimise their costs (see Box 5.3).

Box 5.3. **A checklist for changes in the structures of government**

Based on studies examining the experiences of Australia and the United Kingdom, the OECD proposes the following checklist for "machinery of government" changes:

- allow sufficient time to undertake the changes;
- ensure there has been adequate planning for the changes;
- establish clear guidelines;
- provide adequate budget to support undertaking the changes;
- centralise administrative and HR support for the changes;
- ensure buy-in from senior leadership;
- take a whole-of-government approach;
- ensure open and constructive communication with staff;
- effectively manage those employees involved in the changes;
- take account for records management;
- ensure the necessary legal environment is in place to support the changes;
- update outcomes and performance information;
- review financial management arrangements to ensure retention of corporate knowledge; and
- establish clear accountability frameworks for post-change arrangements.

Source: OECD (2012), *Public Governance Review of Slovenia*. Paris, OECD. Based on Commonwealth of Australia (2007), "Implementing Machinery of Government Changes – A Good Practice Guide", Attorney-General's Department, Canberra; White, A. and P. Dunleavy (2010), "Making and breaking Whitehall departments: a guide to machinery of government changes", Institute for Government, LSE Public Policy Group, London.

In order to stabilise government structures and avoid unnecessary changes, it would be useful to create a capacity to analyse the machinery of government on an ongoing basis. The functional reviews initiated in 2011 are a first step in this direction. They have already triggered a number of significant organisational changes – some to rationalise existing structures, others to fill gaps and ensure that a public service is actually delivered. Their analyses could be further elaborated in order to integrate additional standpoints on ministerial functions, in particular to assess the factual situation in ministries and agencies and to identify in a systematic manner policy gaps and synergies. International comparisons would be a useful tool for this purpose – particularly in Kazakhstan where policymakers have the culture of comparing, contrasting and learning from the practices of other countries.

Recommendations

5.1. Clarify the distinction between government agencies and ministerial services and committees. In cases of conflicting functions or impartiality issues, consider the creation of arms' length agencies.

5.2. Reduce the frequency of changes to the structure and mandate of the Ministries to increase organisational stability.

The role and effects of planning

The planning process involves a hierarchy of documents defining the long-, medium- and short-term orientation of government policy (see chapters 2 and 4 for a more detailed description). Ministries in Kazakhstan lay down their strategies in two types of documents: strategic plans, which cover a five-year period and are renewed every three years, and operational plans, which are developed every year and specify the actions ministries intend to undertake in order to implement their strategy. Table 5.1 presents the typical structure of a strategic plan.[11]

Table 5.1. **Contents of a strategic plan in Kazakhstan's ministries**

Section	Name	Content
1.	Mission and vision	Short statement of the ministry's general function and objectives
2.	Analysis of current situation and trends in related sectors of activity	Policy statement highlighting the ministry's achievements and future policy directions, based on factual information about developments in its sectors of activity and about its own policy interventions
3.	Strategic direction, objectives, target indicators, activities and performance indicators	Registry of the ministry's policy areas of intervention, classified by strategic direction, objective and target indicator, together with schedules and (in some cases) legal basis
4.	Development capability	List of the ministry's internal measures (in general terms): human resource management, logistics, IT and service delivery, legal services, etc.
5.	Inter-agency co-operation	List of actions undertaken by other public entities, which contribute to strategic directions, objectives and target indicators mentioned in Section 3
6.	Risk management	Brief list of risks to the completion of some of the objectives of Section 3, with their possible consequences and the ministry's risk management strategy, all described in very general terms
7.	Budget programmes	Detailed breakdown of the budget programs classified according to their code*, with a measure of their direct results and output, as well as quality and performance indicators

* Budget programme codes are associated with strategic objectives in Section 3.

The operational plans further specifies the tasks envisioned in the third and fourth sections of the strategic plan for the current year and allocates responsibilities within the ministry for their completion. Ministries also report annually on the implementation of their strategic plan.

Ministries seem to enjoy a degree of discretion in the way they inscribe their measures – ongoing or planned – in the two documents. In the former Ministry of Environment and Water Resources, for instance, the strategic plan included fairly detailed categories of actions in its third section, such as the completion of a particular phase of a project or the submission of a certain law. Although it provides further detail, the operational plan remains a rather short document. In the former Ministry of Industry and New Technologies, by contrast, the strategic plan did not mention specific policy measures in its third section, but provides extremely detailed target indicators, as the rate of increase in labour productivity for particular branches of the manufacturing industry. The Ministry's operational plan, then, is a lengthy document listing both categories of action and, under these, specific measures. In both cases, however, all significant interventions of ministerial services seem to appear in at least one of the two plans, including routine operations such as checking and validating the accounts of subordinate organisations, preparing a particular draft or organising a roundtable.

In order to undertake an action that has not been foreseen in its planning documents, a ministry has to amend its strategic plan, which necessitates to co-ordinate with the current Ministries of National Economy, Finance and Justice, and the passing of a government decree.

Ministries are also involved in the strategic planning of their subordinate bodies, in particular State-owned companies (SOCs). For instance, the main SOC under the Ministry of Agriculture, KazAgro, has 10-year strategic plan implemented through a succession of 5-year development plans. Naturally, the company's strategic plan has to be regularly adjusted to account for changes in its environment or those of its subsidiaries, and for shifts in the government strategy as reflected in the (shorter term) strategic plans of the ministries. The company also reports every year on the completion of its development plan. The government body in charge of monitoring and approving the plans of the SOCs is the Ministry of Economy's Department of State Assets. However, as board members, line ministries also have an important role in supervising all phases of the planning process in their subordinate organisations.

Planning has proved a powerful mechanism in the past fifteen years for channeling public investments, building the country's infrastructure, introducing new policies and ensuring policy coherence within the government sector. It is not uncommon to see ambitious planning objectives surpassed or completed in advance of their schedule.

However, planning also entails some well-known risks: rigidity can turn it into a command-and-control system directed from the Centre of Government, with inadequate knowledge of the real needs of the population and the capacity of the public system to respond to those needs; excess burden can divert precious resources to the management of the plan itself, away from the provision of public goods to the population; and insufficient prioritisation can lead to efficiency losses in the use of public resources.

In Kazakhstan, the planning process appears to follow a two-way path, at least formally: from the line ministries, agencies, public corporations and local government authorities towards the Centre of Government during the inception phase; and back during the implementation phase. All relevant public entities are asked to provide inputs

for the elaboration of a new long-term plan or concept. Within ministries, sectoral departments direct their proposals for both actions and target indicators in their area of competence, together with formal justifications, to the department in charge of the strategic plan. The department produces a synthesis on behalf of the ministry, and forwards it to the President's administration. In principle, policy proposals converge from all parts of the public sector towards the President's administration, which is in charge of selecting and co-ordinating the components of the new plan. Ministerial services, in particular, are an essential channel for ensuring that the design of the plan corresponds to the country's needs and capacities.

In practice, however, the bottom-up part of the process seems rather weak and unstructured, especially when compared to its top-down part. On average, services of line ministries have little experience and practice of providing ideas to the centre. The ministries have a limited ability to conduct research and analysis, develop projects that have not been already included in their strategic plan, and test policy options in partnership with public and private organisations. Their strategy departments, which should be instrumental in identifying new issues and designing policy responses, are often submerged with the tasks imposed by the planning process, which include a large share of reporting and control. They are systematically understaffed, lacking experienced personnel and experts of their policy fields – in particular due to the high level turnover among government employees. They are, in addition, relatively isolated from the concrete experience of policy-relevant issues, in particular because of the separation between departments and committees.

Furthermore, there is little ownership of strategy-setting in line ministries. Services do not seem to have a strong feeling of responsibility for reflecting upon and shaping the long-term goals of policy in their area of competence. In this regard, the effects of the centralised organisation of State planning are likely to be compounded by the persistence of a culture of command, execution and control in the government.

Kazakhstan's system of planning does indeed have an all-encompassing nature which can dilute the notion of priorities, discourage managers from making choices and arbitrating between conflicting objectives, and lead to a mechanical application of the planned tasks. For example, the "State programme of forced industrial and innovative development" has generated no less than thirteen sub-sectoral programmes covering all majors industries and, in addition, policy objectives such as attracting foreign investments, supporting innovation and promoting local content. The strategic plan of the former Ministry of Industry and New Technologies, which was in large part determined by the Programme, contained 97 target indicators, some of which could be as general as "reducing energy consumption per unit of Gross Domestic Product by at least 10%". Understandably, public managers do declare that they find it difficult to decide which of their objectives should be given priority.

While sectoral programmes and strategic plans tend to be very comprehensive, it is the strength and coherence of policy initiatives, the allocation of resources through the budget and the distribution of qualified personnel that ultimately define the government's priorities. The analysis of detailed policy measures and budget lines sometimes reveals a gap between the general intentions posted in the planning documents, the concrete actions and allocated budget. Consider, for instance, the problem of accumulated industrial and household waste.[12] The growing stock of waste constitutes a very serious environmental challenge in Kazakhstan – it is actually one of the seven most problematic ecological issues identified by the former Ministry of Environment and Water Resources in its

Strategic plan for 2011-15, and the source of three others: surface and groundwater pollution; persistent pollutants ("historic pollution"); and ecological disaster zones (in particular the Semipalatinsk area). The same document made the "elimination of historic contamination" one of the ten strategic objectives of the Ministry, notably through measures to improve waste management, reduce the stock of existing waste and rehabilitate water systems. However, these measures are not further detailed and associated with specific financial resources. The two budget programmes that seem to cover most of the strategic objective mobilised very modest resources in 2011, and none in the following years.[13] We address the existence of gaps between strategic objectives, policies and budgets in further detail in subsequent sections of this chapter.

The core principle governing relations between line ministries and the Centre of Government is the centralisation of the effort to define common strategic goals and the delegation of the choice of concrete measures to attain these goals. This is a sound but challenging principle. It supposes that ministries have the policy expertise and concrete knowledge of their subject matters, as well as the resources and the sense of initiative and responsibility to contribute to the definition of the goals; and that the centre has the means to monitor and enforce the implementation of appropriate policies.

A related challenge includes lack of ministerial capacity to implement government programmes developed at the top. Currently, insufficient attention is devoted to the preparation of human resources in developing government programmes. Several stakeholders noted that often government programmes require specific expertise, which is lacking among the current ministries' staff. To ensure effective implementation of these programmes, greater attention is needed to the development of necessary skills and competencies among public servants prior to enacting the programmes. Delegating greater authority for this process to ministries and strengthening the role of executive secretaries (to include responsibilities for both the performance and implementation of government programmes and respective human resources capacities) could help address this issue in the future.

The current situation of Kazakhstan's government does not seem to entirely fulfil these conditions. This is in part due to a lack of capacity and engagement from line ministries, which we further discuss later in this chapter. But the planning system bears its own share of responsibility. As we explained, it gives too much weight to the centre and the top management, at the expense of the operational level. It is probably too exhaustive, leaving little room to lower-level decision makers to take responsibility for initiating policies and organising priorities.

The combination of these limitations could lead to a situation where central planning becomes a formal exercise, disconnected from the needs of the country and the implementation capacity of the public sector. Policy areas that are not strongly represented at the centre would be penalised in the allocation of resources and left behind. The lack of autonomy of ministerial services would engender a lack of responsibility, and the centre would get involved in an ever closer (and costlier) monitoring of the realisations of the ministries and public bodies.

To tackle these risks, it is important to continue to reform and improve governmental planning in terms of scope, methodology and process. As also acknowledged in the Concept document on the system of strategic planning in Kazakhstan, the planning system needs to do more to empower ministries, agencies and local governments, while at the same time still emphasizing areas where co-ordinated action is needed. The concept document already outlines a plan for development of human resources capacities

necessary for effective strategic planning, including training of civil servants, qualification standards for planning specialists, and integration of such disciplines as "Strategic planning and budgeting processes in the public administration" into the curricula of public administration university programmes. To move forward, it also seems necessary to break away with planning's traditional all-encompassing coverage, and to gradually restrict its scope to a limited number of cross-ministerial policy priorities. Empowering ministries also requires ensuring the ability of ministries and agencies to carry out the government's agenda, link policy and staff objectives, prioritise, allocate resources, monitor, evaluate and adjust as needed.

One example that could provide some inspiration with regard to the organisation of the process is that of Lithuania where, rather than being backed by a strong capacity at the Centre, strategic planning relies on a network of capacities in line ministries (World Bank, 2006). The small unit at the Centre maintains close working relationships with the strategic units of all ministries, as well as more informal relations with senior civil servants and vice-ministers. The decision-making body governing the strategic planning process is a Cabinet Committee chaired by the Prime-Minister, which usually meets twice a month. Such a networked organisation, with multiple levels of interaction, seems to assure both a high degree of buy-in from ministries and co-ordination in the implementation of the plans, and an active and structured participation from different parts of the government during the elaboration phase.

Recommendation

5.3. Reform the planning system by *i)* collecting in a systematic and transparent way contributions from all parts of the government to the elaboration of high-level planning documents; *ii)* initiating a gradual reduction of the scope of planning with the aim to focus on a limited number of governmental priorities and areas of inter-ministerial co-operation (*see also recommendation 4.1*).

The assessment of effectiveness of ministries and agencies

As noted in chapters 3 and 4, in 2010, a Presidential decree set up a formal procedure to assess annually the achievements of ministries, agencies, oblasts and the municipalities of Almaty and Astana.[14]

The Centre of government considers effectiveness assessments as an important governance tool and has devoted attention and resources to their development. The process has even been extended to state-owned enterprises – in their case, however, the assessments are conducted every five years, under the authority of their boards of directors. Authorised bodies have sought to gradually improve their assessment methodology, notably by broadening the scope, from an initial focus on quantitative indicators to the integration of qualitative aspects. The Presidential Administration also has the aim to gradually shift from process-based to outcome-based assessments and to delegate process controls to the ministries' internal audit services.

The objective of the Centre is an important one: by producing a complete and objective measure of performances, to develop a culture of responsibility and accountability within ministries and to improve policy cohesion inside the government. The representatives of several ministries considered, during this review's discussions, that the assessment system has already led to an improvement in ministries' management by highlighting the importance of results and, in some cases, supporting a shift to outcome-based budgeting.

However, the process also has some weaknesses and unintended adverse effects on ministries.

First, it focuses the attention of the ministries mainly on the assessment criteria and influences the management's goals. While this could be effective in ensuring that the planned outputs are being delivered, it may lead them to overlook other important current or emerging priorities. Sole focus on achievement of performance indicators may also limit the development of policy capacity in the ministry, including the ability to identify alternative options and introduce course corrections. Moreover, it was mentioned to the review team that the managers' eagerness to achieve the strategic plans' objectives, which are a key element of the performance assessments, leads them to overburden their staff, resulting in excessive working hours and a lack of attention to their needs to develop their skills. It is also reported that departments devote considerable time and resources to document their achievements, rather than to develop policy. Such tendencies reinforce the effect of top-down central planning on the ministries' lack of autonomy and expertise with regard to their fields. In the long term, they might become seriously detrimental to the quality of the services delivered by the administration.

Second, the process of monitoring from the Centre, useful and necessary as it is, also has costs and limits. As explained in Chapter 4, the shift from process to outcome assessment, for instance, can be relatively straightforward when service delivery is concerned and the satisfaction of final users can be readily measured; but it is considerably more difficult when the subject matter is a policy whose outcomes can be influenced by a myriad of external factors.

Third, some of its aspects put it at risk of becoming a formal process within the administration, leaving a potential gap between the official image of the functioning of the government and the actual outcomes. For most performance indicators, ministries are asked to self-report their results, and it cannot be excluded that some adopt strategic behaviours in this regard. When individuals and organisations are asked to express their opinions, it is usually under the control of ministerial services, which have the opportunity to influence the outcome. Satisfaction surveys, for instance, are in many cases conducted not by professional and independent bodies, but by the public services themselves, within their premises.[15] In addition, the overall assessment process is not completely transparent, since its methodology and results are not always open to public scrutiny and discussion. Even in the areas of service delivery and human resource management, where assessments are largely based on surveys, detailed results are not made public. Positive exceptions exist, such as the Tax Committee, which has given mandate to the taxpayers' association to conduct satisfaction surveys. On the whole, however, the system remains to a large extent confined to the administration's circles and self-referential. The lack of transparency aggravates the risk of a purely formal assessment process, unable to capture the real situation within ministries, in particular with regard to elusive issues such as corruption.

Fourth and finally, the assessment system does not place enough emphasis on capacity issues at the operational level in ministries (and, probably to an even larger extent, in local government). Assessments already cover seven aspects of the ministries' activities, and their methodologies can be fairly complex. In the area of strategic planning, for instance, it addresses not only the achievement of the plan's objectives, but also the quality of the analysis on which it is based, of its risk management provisions, and of the linkage between its various sections, among others.[16] However, as we discuss in the sequel, these aspects of strategic plans are often underdeveloped for lack of actual

capabilities. The UK's capability reviews gives an example of a monitoring tool aimed at identifying such shortcomings and orientating the Centre's responses.

While performance assessment is a core tool for the Centre to drive achievement and results, it has to allow for longer-term perspective, encourage policy capacity in ministries, do it in a way that does not impose a huge reporting requirement on ministries. To have a more reliable assessment of the real situation, it would be necessary to increase the transparency of the assessment process, in particular to adopt common measurement tools in a wide range of management areas (as practised in countries like Canada, New Zealand, France and Australia) and to publish the complete results of the effectiveness assessments. Some authorised bodies in charge of parts of the assessment might feel their methodology and verification processes are not yet mature enough to be disclosed. However, the publication of the results will only help correcting the assessments' deficiencies and, in turn, the latter will strengthen the trust of the ministries' management, of civil servants and of the public at large in the objectivity and fairness of the process. It will be equally beneficial to better involve public service users and stakeholders in building the assessment tools.

In parallel, the weight of strategic planning and implementation of orders from the centre should be reduced in the performance assessment system: ministries should be evaluated more on the quality of their services to the population and their contribution to governmental policy making than their capacity to execute instructions.

Recommendations

5.4. Encourage initiatives aimed at developing policy analysis, increasing regulatory quality or investigating innovative approaches such as risk management – and more generally pro-active attitudes to policy making – in ministries and agencies. This recommendation is consistent with the proposals included in the Kazakhstan's General Approaches to Modernisation of Public Administration by 2020.

5.5. Utilise a common measurement tools for surveys addressing policy and management outcomes (e.g. service satisfaction, employee satisfaction and commitment) across the public sector and conduct the surveys using professional, independent organisations; make the assessment methodology, process and results fully accessible to the public.

Inter-ministerial co-operation

One of the foremost advantages of a strong planning and monitoring system is the degree of policy co-ordination and consistency that it provides across ministries and agencies. Kazakhstan's hierarchy of plans, from long-term national visions to annual operational plans of individual ministries and agencies, ensures that areas of joint responsibility are identified and that roles are distributed in a clear manner. The fifth section of each ministry's strategic plan is devoted to co-operation with other ministries, agencies and local government units. The section proposes a list of objectives requiring joint action with other public bodies and, in each case, enumerates the particular actions undertaken by these bodies, as provided by their own strategic plans.[17]

Co-operation, in this case, is understood as the separate contribution of different bodies to a pre-defined strategic objective. The normal procedure for employees of two ministries to be able to co-operate on a newly identified issue is to involve both hierarchies, create an ad hoc working group to define a specific task for each ministry, and integrate these tasks in both strategic plans. There is also a single electronic document management system, allowing to engage actively at the administrative level.

Yet, the weakness of co-operation in the government of Kazakhstan is that relations between ministries are confined within the framework of their respective strategic plans. Other modes of co-ordination enabling staff from different parts of the government to meet and discuss policy issues of common interest are not common. This means that once their strategic objectives have been set, ministries still operate within sectoral "silos", and that there is little exchange of information at the level of policy implementation and monitoring.

Currently, OECD countries that are most keen to promote a whole-of-government approach to governance (including the UK, Netherlands, Australia and New Zealand) tend to diversify channels and modes of co-ordination and co-operation, following both a hierarchical and a networked method (Christensen and Laegreid, 2007). The hierarchical method relies on top-down strategic planning and cross-sectoral programmes, Kazakhstan's prominent tools, but also inter-ministerial committees, working groups, collaborative units and the like. One important lesson has been that such structural measures, although necessary, tend to generate co-ordination of processes rather than policies (SSC, 2007). The networked method, by contrast, emphasises less formal channels of co-operation and increased autonomy of public agents and services to work together on building practical solutions, e.g. in service delivery "one-stop shops". Lithuania has equally been praised for the density of formal and informal linkages between its public bodies at central level, local level and between levels, which result in a strong degree of co-ordination across the public sector (World Bank, 2006). Further, countries like New Zealand have paid renewed attention to the cultural dimension of co-operation and taken initiatives to encourage collaborative behaviours by promoting common values, team spirit or trust among civil servants.[18]

These experiences provide a rich range of solutions for the government of Kazakhstan to gradually expand its approach to policy co-ordination at the same time as it provides greater autonomy to its ministries and agencies. For more discussion on inter-ministerial and central agency co-ordination, see Chapter 2.

Recommendation

5.6. Strengthen formal channels and informal networks of co-operation between ministries/agencies at decision-making, managerial and working level (*see also recommendations 2.11 and 2.12*).

Policy making in the ministries

This section will focus on the organisation of policy making, understood as structures and processes involved in both the design and the implementation of governmental policies in line ministries. The scope of analysis does not include decision making in the Centre of government which, is covered in Chapter 2 and, as has already been emphasised, represents a significant part of policy making in Kazakhstan.

From the standpoint of its organisation, policy making in Kazakhstan could be on the verge of a major transformation. Several important initiatives have been taken in recent years to alter decision making and service delivery processes inside the central government. Five trends emerge from these changes: as we noted earlier, policy design has been formally separated from policy implementation; the government has introduced, through several laws and regulations, elements of evidence-based decision making, of a

risk management approach to policy making, and of consultation and deliberation with stakeholders of governmental decisions; and finally, it has launched a complete reorganisation of service delivery, based on integrated information systems.

The general impression, however, is that these first steps need to be followed by others in order to constitute consistent reform packages and to deliver their effects. Many OECD countries have accumulated a rich experience in these areas, and their successes and difficulties have been extensively discussed and analysed at national level as well as in international fora. Because of its diversity, this wealth of experience can be of interest for Kazakhstan.

Organisational aspects

Following the distinction of four categories of governmental functions (strategic, regulatory, implementation and control),[19] ministerial services have been separated between departments and committees. In the ministries directly concerned by this review, departments are in charge of strategic planning, policy formulation, monitoring of markets, development of technical regulations in particular sectors, as well as support functions (HRM, IT, legal services, etc.). They typically have 10 to 20 staff, sometimes less. Committees are usually larger structures with 50 to 100 employees, mostly at local level, and are represented at the central level by a relatively small management team. They are in charge of inspections, the delivery of permits and certificates and the provision of other services. The recent law on decentralisation has attempted to further transfer some of their competencies to regional authorities (Akimats).

As noted, the principle of decentralisation in service delivery and control has merits, but the vision that underpins it in many cases – namely that policy design and implementation are clearly distinct activities that can be carried sequentially by separate bodies – is inadequate. Such a vision overlooks two realities of policy making.

First, there are transaction costs in formulating policy measures. Policy makers typically develop laws and regulations applicable to a variety of situations. How exactly to interpret and adapt these to particular cases is seldom specified in the law or regulation; it is the domain of subordinate legislation, instructions and, to some extent, discretionary judgement during implementation and control. It is, however, critical that policy makers monitor this process of interpretation and adaptation, make their original intentions and objectives explicit when needed, and preserve the policy's coherence and consistency.

Second, policy makers are imperfectly informed. The issues that they address are complex and evolving; there is a high likelihood that unforeseen contingencies will materalise. There can be a considerable gap between the understanding of the context and expected outcome of an intervention at central level, where it is formulated, and local level, where it is put in application.[20] Furthermore, important changes can alter the intervention's context and eventual outcome after it has been designed. There is therefore a need to maintain a constant flow of information between policy implementation, where it is easiest to observe real-world conditions, and formulation.

In the words of a former UK government executive: Policy making and day-to-day operations are not separate spheres of influence but inextricably linked... there is often a myriad of intermediate policy decisions about the interpretation and implementation of policy which is the stuff of daily life in government departments including day-to-day operations; and it is where success and failure often lie (Wilson, 2006).

The importance of these two types of linkages between design and implementation can vary from one case to the other and it is quite possible that *de facto* separation appears to have limited costs in some instances. But many OECD governments have come to the realisation that separation as a principle needs to be mitigated.

The review has found that the institutional divide between departments and committees in Kazakhstan does have adverse effects. Local services appear to provide little information about work processes and outcomes to the central level of their committee outside of their formal assignments; the central committee levels do not seem to play any substantial role in strategy and policy design by the departments. The gap becomes perceptible on technical issues. In some cases, departments did not have the expertise to elaborate subordinate laws and regulations, and this responsibility has been transferred to committees – in opposition to the governmental rule that defines regulatory functions as a prerogative of departments. In such cases, committees have developed their own teams of legal experts. Naturally, this sharing of responsibilities reinforces sectoral silos within ministries, and does not fully bridge the gap between policy making and the knowledge of concrete social, economic, technical and environmental conditions.

The distinction between policy design and implementation is therefore at risk of being blurred if the linkages between the two activities are not acknowledged and formally integrated in the organisation of the ministries. To this aim, effective channels and procedures need to be built to give to the central level of ministries oversight on implementation and enforcement activities, and to collect feedback from the local level regarding the adequacy of policy measures.

Recommendation

5.7. Strengthen routine relations between departments and committees, notably by giving committees a role in the policy design process. In conjunction, prevent committees from developing regulations – as well as regulatory capacities.

Evidence-based policy design: The development of a regulation

As explained before, strategic and operational plans do not only constitute a short- to medium-term framework for policy making in Kazakhstan's ministries. They are also their key policy statement, providing a complete overview of their doctrine, objectives, interventions, internal management initiatives, areas of co-operation, legal framework and budget. They provide a comprehensive list of each ministry's actions, with their implementation schedule, objectives and target indicators. Their contents derive from higher level planning documents, and both their elaboration and implementation are closely supervised by the Centre of government, so that the plans cannot be amended by the ministry alone.

Ministries are therefore mandated to conduct regulatory activities in conformity with their plans. The government renovated the legal framework for the development of regulations by ministries between 1998 and 2003, and further specified some aspects of the regulatory process in 2011 (see Box 5.4).

Box 5.4. The legal framework for the ministries' regulatory activity

The following legal texts establish the principal procedures and requirements imposed on ministries when developing new regulations:

- The Constitutional Laws on the Parliament of the Republic of Kazakhstan and the Status of its Deputies, on the President of the Republic of Kazakhstan, on the Government of the Republic of Kazakshstan (numbers, description);
- Law No. 213-1 of 24 March 1998 on Normative Legal Acts (amended on several occasions, lastly in April 2012) defines requirements in terms of effectiveness (relation to the stated objective, absence of duplicate, obsolete or contradicting provisions), prevention of corruption and coherence with the existing legislation;
- Resolution of the Government No. 598 of 30 May 2002 on Measures for the Improvement of Legal Drafting – Rules of Scientific Appraisal of Draft Laws sets criteria for the assessment of draft laws;
- Resolution of the Government No. 840 of 21 August 2003 on Rules for Organising Legislative Drafting Work in Authorised Bodies of the Republic of Kazakhstan (description);
- Resolution of the Government No. 964 of 25 August 2011 on Rules for the Legal Monitoring of Normative Legal Acts (description); and
- Order of the Acting Ministry of Justice of the Republic of Kazakhstan No. 350 of 28 October 2011 regarding Methodological Recommendations for the Legal Monitoring of Normative Legal Act and the Drafting of Concepts and Normative Legal Acts (description).

This renovated legal framework puts a strong emphasis on clarifying the motives and the evidence basis of regulations, at least in principle. Every draft regulation has to be accompanied and supported by two analytical documents: an "explanatory note" stating its motives and justifications; and a "scientific expertise" assessing its quality, effectiveness and expected results, ensuring in particular that its broader social and economic consequences are fully taken into account. The ministerial services that present the draft are in charge of elaborating the explanatory note, as well as a "passport on socio-economic impact" presenting factual information regarding the possible effects of the regulation. The scientific expertise, however, is placed under the responsibility of other ministries (the Ministry of Justice for the legal analysis, the Ministry of Economic Development and Trade for the economic analysis)[21] and, importantly, cannot be provided by persons who have been involved in the preparation of the draft.[22] In practice, it is often delegated to the Institute of Economic Research for economic analyses, and to the Institute of Legislation for legal analyses. These, in turn, gather a team of experts – coming possibly from academia or from other organisations, including foreign – which, on the basis of the explanatory note and the passport on socio-economic impact, has 15 days to prepare an assessment the regulation. The ministry presenting the draft can then either accept the assessment and make the necessary amendments (if any) to its proposal, reject it with justifications, or ask for additional analyses.

As already noted by the OECD (OECD, 2014), the procedure comprises many ingredients of a regulatory impact analysis (RIA), in that it requires ministries to clearly state the intended effects of the regulation, which it contrasts with an assessment of its

likely effects in order to improve the proposal. This is a positive development per se, but the current practice stills falls short of a thorough application of RIA principles and, as a consequence, it is likely that ministries seldom have a clear understanding of the broader consequences of the regulations that they develop.

Three aspects seem to be at the heart of the gap between the formal requirements of the law and the actual results of the regulatory design process:

- First, the most important regulatory initiatives derive from the planning process, and the development of a new law always has to be justified by a strategic objective. The scientific expertise usually occurs *after* the main lines of the proposed regulation have been laid down in the ministry's operational plan. The process of development of a regulation is considered primarily from a legalistic standpoint, rather than that of its broader societal consequences; typically, it is overseen by the ministry's legal experts rather than its technical experts or economists.

  During this review, it appeared that staff from policy departments often assume that national and sectoral plans *already* account for the larger impacts of the tasks included in their ministry's strategic plan. Detailed impact assessment of policy decisions is therefore believed to duplicate, at least in part, assessments made during the planning phase. There is however limited evidence and track record of such assessments. Indeed, the goals, objectives and performance indicators prescribed by the planning documents are supposed to conform to principles of efficiency and effectiveness, but this requirement is expressed in general terms and is not supported by any methodological consideration.[23]

- Second, while line ministries are responsible for developing regulatory drafts and providing basic information about their context and effects, scientific expertise regarding the subject matters is sought from external sources. The goal is to obtain an independent and objective evaluation of the draft. However, the rule deprives ministerial services from the opportunity – and the incentive – to investigate the broader consequences of their proposals and to develop the necessary skills and tools. In addition, whether and to what extent ministries actually account for the results of the external scientific expertise is an open question.

- Third, many ministries do not seem to have sufficient capacity in terms of human resources and skills, methodology and data, to conduct in-depth analyses and elaborate high-quality impact assessments. In the Ministry of Environment and Water Resources, for instance, the bulk of analysis and research work falls under the responsibility of the Department of strategic planning and monitoring, with a staff of 10 full-time employees. The Department is also in charge of developing strategic and operational plans, following up and reporting on their implementation and outcomes, monitoring the state of the environment through a series of indicators, carrying out public hearings and consultations. A large share of the analytical capabilities of the Ministry have indeed been externalised in its subordinate organisations, the Information and analysis centre for environment protection, Zhasyl Damu and the Eurasian water centre.

Problems of capacity can be compounded by the lack of access to a common methodology and relevant data. The Centre of government has not produced a detailed methodology for impact assessment in line ministries. Access to relevant data can be

limited and complicated by the separation between departments, committees and subordinate bodies.

Regulatory impact assessment, and more generally evidence-based policy making, require analytical capabilities that ministries and agencies can find difficult to gather even in leading countries like Canada (Howlett, 2009). Already in 1996, the government of Canada considered the strengthening of its policy capacity as a strategic challenge, and created a task force to identify appropriate responses. In its report, the task force emphasised several points that seem relevant well beyond the case of Canada:

- First, analytical capacity is critical for the quality of government and public life in the country.
- Second, ministries should be the principal locus of policy work in the government; for this, they should have the ability to fulfil seven functions in their area of competence: theoretical research; statistics, applied research and modelling; environmental scanning, trends analysis and forecasting; policy analysis and advice; consultation and managing relations; communications; and programme design, implementation, monitoring and evaluation.
- Third, that the appropriate forms of organisation to carry out these functions depend on the number of sectors under the ministry's jurisdiction and their level of inter-relatedness, as well as on the importance of the ministry's policy and operational responsibilities.
- Fourth, that there is a fundamental need for the senior management of ministries to understand and manage their policy needs and capacity, in particular by giving time ("the strongest signal of priority") to policy work.

In its recommendations, the task force proposed in particular to:

- Create a community of policy developers and strengthen personnel management in this area.
- Undertake a review of ministries' policy capacity, specifically when it comes to: articulating its medium and long term priorities; testing the robustness of its policy options by building alternative scenarios; attaching both qualitative and quantitative assessments to different policy options in terms that lend themselves to rigorous post facto evaluations; communicating and defending policy thrusts to its operational arms as well as to its major stakeholders and to the public; formulating policies that can withstand rigorous professional challenge; and using judiciously the results of regular programme evaluation in order to confirm or adjust to changing circumstances the policies which those programmes embody.

Both of these recommendations seem judicious in Kazakhstan's context.

The question of capacity is also closely connected to the incentives that ministries are given to elaborate policy analyses. Policy making in Kazakhstan's ministries is largely determined by the planning process, and ministries have few reasons to invest scarce resources in documenting the *raison d'être* and the final consequences of their actions. The lack of autonomy of ministerial services in policy making is likely to reinforce their lack of interest, and also of resources, expertise and technical tools, for aspects of policy design that fall outside of the planning exercise. The tension between planning and regulatory quality is classic, and in no way specific to Kazakhstan. It can be released by

increasing the ministries' room for manoeuvre and sense of responsibility in designing and conducting their policies.

While the long-term objective should be the creation of policy units with strong analytical capabilities, one concrete way of moving in that direction would be to enhance the ministries' role in assessing the likely consequences of their regulatory initiatives. The existing process of assessment of regulatory drafts has the merit of introducing the principles of justification, effectiveness and efficiency. But some of its practical aspects bring it closer to a light form of external quality check than to a full-fledged RIA. Ministerial services seem best placed to assess the complete range of effects of their policies, and the practice of this form of assessment would naturally increase the quality of their regulations. One of the effects that ministries would need to assess is the contribution to strategic objectives stated in their plans or in higher level sectoral programmes; In turn, the broader impact of ministerial decisions could be used as an *ex post* check of the consistency of planning documents. This would strengthen the effective link between policy making and planning. The ministries' impact assessments, rather than their explanatory notes, could then be submitted to an independent evaluation.

Regulatory impact assessment is tool that OECD countries use in order to ensure that their regulatory decisions are based on available evidence, consistent and transparent. However, most have found its implementation challenging, as it necessitates specific methodological and analytical skills, data collection and consolidation schemes, as well as institutional mechanisms (World Bank, 2006). The case of Lithuania could also be of interest for Kazakhstan (OECD, 2008). In this country, the Prime Minister's Chancellery developed in 2003 a system of policy analysis that is both economical and articulated with strategic planning. All policy proposals undergo a basic impact assessment, and only those found to have significant impact are submitted to more in-depth assessment. The body proposing the policy must assess, among others, its contribution to the National development plan (for more discussion, see OECD, 2014).

Recommendations

5.8. Within the planning framework, strengthen the capacity of ministerial departments to perform policy analyses, conduct and fund research, and collect data. Strengthen information exchange tools and procedures between departments, committees and subordinate bodies. When synergies are important, reintegrate subordinate bodies in charge of data collection and analysis in ministries.

5.9. Reform the regulatory development process in order to make ministerial services responsible for a complete RIA and to submit its result to external scientific assessment, on a more systematic basis. Provide ministries and agencies with RIA methodological guidelines (see 2014 *OECD Regulatory Reform Review of Kazakhstan*).

Consultation processes

Experience of OECD countries shows that sound and inclusive policies require a policy-making process that is transparent, evidence-driven, accessible and responsive to as wide range of citizens as possible. This calls for inclusion of a diverse number of views in the process of policy design and providing opportunities for robust public policy debate.

Kazakhstan has already put in place important mechanisms to ensure consultation on draft laws and draft regulations inside the government with ministries and agencies, with advisory councils and in some cases, with other stakeholders (*see Regulatory Policy Review of Kazakhstan*). Thus, for example, in terms of internal consultation, the drafts of legal acts should be submitted for agreement to the relevant government organisations, which should prepare and provide their comments within 30 days, and in case of legal acts introduced by the President – within 10 working days. In case of divergent opinions among executive authorities, the lead ministry must organise a joint meeting with concerned stakeholders to resolve disagreements. The minutes of a joint meeting, including dissenting opinions and proposals for addressing the identified gaps, should accompany the draft documents throughout the approval stage. If agreement on a proposal is not reached, the Government may decide to return the draft to the lead ministry for further development and agreement with the necessary stakeholders. While these rules provide clear instructions and guidance, they tend to be somewhat formalistic and may encourage formal submission of comments instead of debate and resolution of substantive policy issues.

With regard to consultation with external stakeholders, the government has taken significant steps in order to encourage public participation in its decision-making processes. Public consultations mainly take place on-line in Kazakhstan. While potentially enabling the government to reach out to a wide range of stakeholders, this method alone does not provide a sufficient opportunity for policy discussions. It also requires pro-active targeting of various groups of population and stakeholders, explicit call for comments, clear timelines, consultation periods and guidance, which is currently missing in Kazakhstan. In addition, any new state programmes requiring an approval by the Government or the Prime Minister generally require the establishment of working groups, formed from representatives of state bodies, and often with the assistance of research organisations, scientists and specialists of different areas of expertise. Also, ministries and agencies responsible for the development of state programs may use the media to promote public discussion and refinement of their proposals. Moreover, the OECD Regulatory review suggests that the consultation process of ministries with advisory councils should be improved. In particular, the requirement for NGOs to periodically reapply for their status and their membership in the ministries' councils can undermine their ability to provide critical comments (*see Regulatory Policy Review of Kazakhstan*).

Ministries are mandated to publish their draft legislation on their websites and to provide updates each time the draft is modified. The rule applies to laws, including strategic and operational plans, as well as subordinate regulations. However, ministries have no obligation to formally invite the public to provide feedback, to give it guidance and additional documentation, or to define a timeline for the consultation; nor do they have to respond to the comments they receive.[24] There is also no online system for monitoring the movement of the draft law or regulation (e.g., in different stages of consideration, consultation or approval). Similarly, while there is an Access to Information Law in Kazakhstan, in contrast to the current practices in OECD countries, it does not advance the principle of freedom of information which allows any external stakeholders to track current legislative and regulatory initiatives or access any other information possessed by government bodies.

Technical regulations, as defined by the 2004 law No. 603-II "on Technical Regulation", are subject to stricter rules. In particular, the period of public discussion cannot be shorter than sixty days, and the ministry is mandated to make all comments that it has received available upon request from any interested party.

In a 2009 amendment to the Law on Private Entrepreneurship, the government created an additional consultation channel for ministries through the "expert councils". Each ministry has to have one such body to advise it on draft legislation. The councils gather a majority of public officials (from central and local government), as well as representatives of the civil society (academics and experts, businesses and business associations, non-governmental organisations) - it should be noted that members of the stakeholder group are selected by the ministry. The councils are consulted twice a year. Their members have ten working days to provide comments on the drafts they are presented. The ministry has the choice to account for a comment in its draft, constitute a consensus commission, or attach the comment to its draft and provide written justification for not integrating it.

Box 5.5. Information and participation schemes in the area of environmental protection and the Aarhus Convention

The Concept of Environmental Safety for 2004-2015 adopted in 2003[1] recognised a public right of access to environmental information and participation in policy making on environmental matters. Articles 13 and 14 of the Environmental Code define the conditions in which these rights can be exercised, providing for wider participation than in the general case. Other legislation, embodied in particular in the Water Code and the Land Code, has also created possibilities for private individuals and some non-government organisations to request and obtain information about issues of local interest and to participate in their handling.

These advances were at least in part triggered by Kazakhstan's adhesion to the UNECE Convention on access to information, public participation in decision making and access to justice in environmental matters, also called the Aarhus Convention. The Convention is the first legally binding international agreement that addresses the citizens' right to be informed about, participate in and have access to justice with regard to public decisions concerning the environment.[2] In particular, in order to ensure that the public can actually take part in the decision-making process, it establishes certain practical criteria concerning the conditions of involvement of those concerned (timely and effective notification, sufficient time to participate ahead of decisions), their access to information (right to inspect relevant information free of charge), as well as the obligations of public decision-making bodies (to take account of the outcome of participation, to publicly notify the decision and its justifications).

Kazakhstan was among the initial parties to the Convention and one of the first countries to ratify it. Although it has made substantial progress in the past ten years in implementing it, it has also failed in a number of cases to comply with its provisions.[3] Some of its main shortcomings are due to inadequacies in policy areas other than environmental protection that have an environmental impact. These difficulties seem to stem from a compartmented approach to the Convention's requirements, which have been in large part addressed by the Ministry of Environment and Water Resources alone. Further, Kazakhstan's mechanisms of public participation have been criticised for being too formal and not enabling citizens to get effectively involved in government decisions.

1. Presidential Decree of 3 December 2003 on the Concept of Environmental Safety for 2004-15.

2. The Convention concerns the decisions to authorise and license activities that might have a "significant effect on the environment".

3. See the work of the Convention's Compliance Committee since the Fourth Meeting of the Parties in 2011, www.unece.org/environmental-policy/treaties/public-participation/aarhus-convention/envpptfwg/envppcc/envppccimplementation/fourth-meeting-of-the-parties-2011/kazakhstan-decision-iv9c.html.

Consultations of the expert council and of the wider public are conducted in parallel and are mandatory for the draft to be accepted by the Ministry of Justice. In addition to these general schemes, some regulations have created sector-specific rights for the public to obtain information and provide inputs to decision processes. Environmental regulations are a case in point (see Box 5.5). In this area, the government has been driven by its willingness to comply with the Aarhus Convention, a key international instrument on the governance of environmental issues (albeit an imperfect one[25]). The experience it has gained in the process, in terms of positive developments as well as remaining problems, can probably be useful in most other areas of public decision-making.

Between 2002 and 2011, the government also directed two programmes towards the development of civil society representation: the "Concept of State Support for Non-Commercial Organizations" (2002-06) and the "Concept of Civil Society Development" (2006-11). The two Concepts included formal rules regarding relations between governmental and NGOs, as well as various forms of support, including through contractual relations.

The National chamber of commerce Union Atameken and the NGO Civil Alliance are two prominent examples of organisations that benefitted from State support during this period (see Box 5.6).

Box 5.6. Union Atameken and the Civil Alliance, two examples of civil society organisations

Public authorities encouraged the constitution of Atameken as the representative of businesses – in particular the smaller companies of the non-oil sector – on policy-making issues and a complement to the Chamber of commerce and industry, which is more focused on international development. President Nazarbaev himself founded Atameken as the National union of entrepreneurs of Kazakhstan in 2005. On 1st July 2013, Atameken changed its statutes into a membership-based organisation in order to develop its financial resources (it was previously financed by voluntary contributions) and provide better services to the businesses it represents.

The Civil Alliance is a federation of more than 1 000 civil society organisations which was founded in 2005 with the support of President Nazarbaev. It plays a lead role in promoting the active participation of non-government organisations in policy making, both through formal consultation channels at central and local level and through its contribution on a number of legislative initiatives considered by the Parliament.

Across ministries, the prevailing impression is that the changes in the decision-making process have thus far been more formal than actual. Civil society actors interviewed in the course of this review express the feeling that their contributions do not have a significant influence on final outcomes and that the key decisions have already been made at the point when they are included in policy consultations.

Naturally, the problem is linked to the limited room for manoeuvre that the planning system and control from the Centre leave to the ministries. In most cases, the objectives of a regulation are indeed determined before any consultation takes place. In addition, acknowledging that external persons and organisations, including those with dissenting views, should play a role in governmental decision making requires a cultural change in the administration – one that needs to be enforced in practice. In this regard, some ministry managers declare that they would benefit from clearer guidelines when it comes to defining which organisations should participate in the consultation process and how their views should be integrated.

Many countries and organisations have reflected on and experimented ways to organise and support the dialogue between government and society in the past two decades, and a considerable body of lessons and best practices have been drawn from this experience, both at national and international level. Some tools of interest include codes of good practices, an inclusive use of accreditation (currently under consideration at the Majlis) and international standards, procurement policy.

The government has introduced some significant regulatory changes in the past ten years in order to strengthen civil society representation and to better consult private sector and non-governmental organisations. These advances now need to be consolidated by changes in the practice of decision making in ministries and other public bodies, in particular at local level. As mentioned earlier, Kazakhstan's own experience in certain sectors, notably environmental protection, as well as practices of countries such as South Korea can be a guide for the steps ahead. In addition, the challenge in many countries is to find ways to engage the ordinary voter, not only special interest groups or highly educated members of society. In this regard, there are numerous other instruments used by OECD countries to pro-actively determine the needs and priorities of the ordinary citizen. Some of these instruments involve random sample surveys of citizens and businesses (New Zealand, USA, Canada, France) the development of representative citizen panels (USA, Canada), focus groups of ordinary citizens in each region of the country (Canada), and referenda (California).

A common argument is that civil society organisations need to gain more independence, consolidate their financial situation, develop specialised competences in the policy fields where they intervene, in short to become more professional. The government has provided real support to the emergence of representative organisations for the civil society and the private sector until 2011. This policy has also provided an opportunity for certain organisations which did not have a sustained activity – up to half of the country's registered NGOs are reported to be totally inactive. At the same time, some active organisations have become dependent on public funding and other forms of support; for these, the abrupt ending of the second programme in 2011 has been a challenging moment. Altogether, the "third sector" seems to have entered a stage of consolidation where it needs to strengthen its independence and its role in public decision making.

There are, however, few chances to see such positive developments if these organisations, at least the better structured and most professional among them, are not considered and involved as real partners in policy making. In the present phase, the openness of government services to civil society participation in decisions matters more than their financial or political support to particular organisations. According to the 2013 President's decree, as the "Concept of business regulations in Kazakhstan until 2020" expresses it, a real dialogue between the government and the civil society "requires the participation of the maximum number of associations of citizens and businesses, taking into account their comments and recommendations" and to create the conditions, in particular in terms of motivation, for non-governmental organisations "to improve (their) professionalism and the quality of (their) dialogue with the authorities".

Expert committees offer important possibilities of progress. The government could make them play a more active role by increasing the frequency at which they are consulted, giving them more time to comment on drafts, providing them the opportunity to interact more closely with ministerial staff and even to request clarifications and complementary analyses, and last but not least, broadening their membership.

The OECD private sector survey prepared for the "*Regulations for Competitiveness in Kazakhstan*" is another step, along with a parallel survey of citizen needs and expectations that could ensure that the policy making and planning processes are strongly linked to the emerging needs of the economy and of citizens. The public sector surveys of and consultations with citizens and businesses in OECD countries (e.g. New Zealand, Canada and France) provide a possible model (see Box 5.7).[26]

Box 5.7. **Listening to citizens: Survey practices in France, New Zealand, Canada and the United Kingdom**

Within the French Government, the Secretariat General for Government Modernisation in the Prime Minister's Office has the responsibility for promoting public sector reform. The SGMAP's objectives are as follows:

- To improve the interaction between government and the citizen and services through listening and innovation.
- To streamline administrative procedures and to measure the quality of public services.
- To evaluate public policies and support government reform.
- To develop digital solutions for users.
- To reform government information and communications systems.
- To share public data.
- To cultivate modernisation within government in co-operation with public actors.

The SGMAP agency uses a 'barometer of satisfaction' to measure and track citizen service satisfaction as well as their trust and confidence in the people and public institutions who serve them, The barometer measures the quality of the relationship between government and users and service quality, The barometer is built on the basis of expectations of users: it is built on the basis of quality criteria they have been identified as most important in research studies. The barometer also measures the results of the actions implemented by departments to improve the quality of service. The barometer measures both the quality of service 'produced' by the government (performance indicators) and the perception of the users (perception indicators).

Source: Le portail de la modernisation de l'action publique, "Roles et missions du SGMAP", www.modernisation.gouv.fr/le-sgmap/missions/roles-et-missions-du-sgmap (accessed 14 October 2014).

New Zealand and Canada undertake regular government surveys of citizen and business needs, as well as their satisfaction with government services, and their priorities for service improvement. In New Zealand these regular government surveys are known as *Kiwis Count* and have resulted in the population of New Zealand giving the government higher and higher performance ratings for service satisfaction:

> "Kiwis Count measures satisfaction and identifies areas for improvement in public services. The measurement is only part of the survey's aim and the greatest value of Kiwis Count is improved service delivery in the public sector. Government agencies use the Kiwis Count data to assist with service enhancements and design, and performance improvement."

Box 5.7. **Listening to citizens: Survey practices in France, New Zealand, Canada and the United Kingdom** (*cont.*)

In Canada, the biennial Government surveys of citizens and businesses are called *Citizens First* and *Taking Care of Business,* respectively. Canada has also achieved a continuous improvement in citizen and business satisfaction with government services through the use of this systematic measurement and through better understanding of citizens and business needs. In Canada, the surveys are conducted by the Institute for Citizen Centred Service, which is managed jointly by the Federal, Provincial and Municipal Governments. The ICCS also manages a benchmarking service for government organisations which use the Common Measurements Tool for assessing client satisfaction with their services. During a thirteen year period the Canadian Government has achieved a 15% improvement in client satisfaction scores across twenty six major services, from pensions, to police to taxation services. In Canada a number of public sector services outperform comparable private sector services.

Source: State Services Commission of New Zealand, Kiwis Count Survey, www.ssc.govt.nz/kiwis-count (accessed 14 October 2014); Institute for Citizen-Centred Service, New Zealand-Better Public Policies, www.iccs-isac.org/nz-better-public-services-for-business/?lang=en (accessed 14 October 2014); Citizens First 5, Institute for Citizen Centred Service, Toronto 2007, Dinsdale and Marson study, www.iccs-isac.org/en/pubs/Dispelling%20Myths.pdf (accessed 14 October 2014).

In the United Kingdom, the 2010 Spending Challenge was introduced as part of process to agree on the Spending Review, which represented an important change in the way the government engaged citizens with the process. The goal was to help people participate in the process and provide a forum for public servants and citizens to share ideas. Initially this sought contributions from public servants, receiving more than 60 000 suggestions. The consultation was then extended on 9 July so that all citizens could suggest ideas to make government more effective and efficient. In total more than 100 000 people contributed specific ideas. A dedicated website was set up for people to post ideas (now archived). The Spending Review of October 2010 then announced some of the suggestions that would be implemented.

For more information, visit: www.gov.uk/government/news/the-chancellor-launches-the-spending-challenge; www.gov.uk/government/news/public-sector-spending-challenge-launched--2; www.gov.uk/government/uploads/system/uploads/attachment_data/file/203826/Spending_review_2010.pdf

Recommendation

5.10. Expand opportunities for policy debate and stakeholder engagement and strengthen the role of deliberation and consultation in policy making, in particular by reforming the functioning of expert committees, creating effective ways for citizens and stakeholders to provide input to policy making, pro-actively targeting specific groups, encouraging comments and providing clear consultation mechanisms and timelines.

Risk management

The strategic plans of ministries and agencies have to present, in their sixth section, some of the main elements of a risk management strategy (see the definitions of risk and risk management in Box 5.8): a set of identified events which put the ministry or agency's objectives at risk, the likely consequences of these events if they were to materialise, and response strategies aimed at preventing the occurrence of these events or mitigating their consequences.[27] In addition, the Kazakhstan's General Approaches to

Modernisation of Public Administration by 2020 identify risk management as one of the key pillars of the proposed reforms.

Risk management can potentially be an extremely effective tool for Kazakhstan's government. In the first place, it is a necessary complement to the country's strong emphasis on long term strategic planning. Risk management requires to replace the deterministic approach of traditional planning by alternative approaches that take uncertainty into account – in other words to consider the future not through a single scenario, but through a set of alternative scenarios weighed according to their degree of likelihood. This aspect has been considered critical by several OECD governments (in particular the UK and Canada) that introduced risk management as a tool for handling uncertainty in public affairs in the course of the last decade (see Strategy Unit, 2002). Uncertainty has become a key aspect of public decision making in an open, interdependent world where changes happen fast. While strategies based on a long-term vision are a critical element of success in such a world, it is equally critical to identify the uncertainties associated that vision and to understand the way in which these affect the strategy.

In addition, risk management strategies have to be devised in a bottom-up manner if they are to be effective. As a first step to assessing its risks and elaborating responses, an organisation needs to formulate its core objectives and to identify the internal and external factors that are critical to the realisation of these objectives (see, for instance, Secretariat of the Treasury Board of Canada, 2010a). For this, it needs to collect, organise and analyse information about its processes and its environment – hence to develop monitoring, analytical and consultation capabilities which would also serve its normal activity. Currently, as we explained, Kazakhstan's ministries and agencies lack both such capabilities and the incentives to invest in their development. Risk management therefore appears as a useful tool – along with the other measures proposed in this chapter – to empower ministries and agencies, develop their sense of responsibility and encourage them to adopt a more proactive approach to policy making.

At present, the risk management provisions of the strategic plans of ministries and agencies consist of a brief list of unfavourable events related to some strategic objectives, their possible consequences and preventive actions, all described in very general terms.

The strategic plan of the former Ministry of Industry and New Technologies, for instance, identified four possible risks, which compare to almost 100 target indicators. One of these is the risk of insufficient investments in renewable energy, which would affect the Ministry's target for electricity generation from renewable energy sources (1 billion kilowatt hours by 2014). As a response, the plan proposes simply "the implementation of legal and administrative measures to promote the production of electricity from renewable energy".

Several crucial ingredients of an effective risk management approach are missing in the content of Section 6 of the strategic plans examined during this review:

- There is no attempt to determine (even qualitatively) the likelihood of the scenario, which is one of the two components of risk (see Box 5.9).
- There is no justification for the choice of the risk scenarios, which should in principle be ranked and prioritised in function of their likelihood and consequences.

- The level of detail does not allow to draw any practical conclusion regarding the concrete measures that the ministry or agency should take and the resources that it would need if a scenario materialised.
- More fundamentally, the sections do not seem to draw on an in-depth analysis of the ministry's uncertainties with regard to the completion of its missions, but rather appear as an alternative presentation of strategies and measures *already* included in the strategic plan.

Box 5.8. **The concepts of risk and risk management as defined by the Canadian government**

Risk: Risk is unavoidable and present in virtually every human situation. Public and private sector organisations face risks everyday. The word risk generally connotes the notion of loss, injury or hazard. However, the commonly accepted modern definition of risk is "the effect of uncertainty on objectives". The TBS Framework for the Management of Risk and this Guide explicitly adopt this neutral definition of risk, recognizing that risks involve both threats and opportunities.

Technically speaking, a risk is the expression of the likelihood and impact of an event with the potential to affect the achievement of an organisation's objectives. The phrase "the expression of the likelihood and impact of an event" implies that, as a minimum, some form of quantitative and/or qualitative analysis is required for assessing risks. For each risk, two calculations are required: its likelihood or probability of occurring and the extent of the impact or consequences, should it occur. It should be emphasised that as risk is about the effect of uncertainty, and therefore future-oriented, risks are distinct from existing issues, problems, or business conditions, where likelihood of occurrence would not be an issue.

The risk level prior to taking into account existing controls and any existing risk responses is referred to as the "inherent" risk level. The remaining risk level after taking into account existing controls and any existing risk responses is referred to as the "residual" risk level.

Risk Management: Risk management, which involves a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, making decisions on, and communicating risk issues, is an integral component of good management. It does not necessarily mean risk avoidance in the case of potential threats. Rather, risk management equips organisations to make decisions that are informed by an understanding of their risks, and ultimately to respond proactively to change by mitigating the threats, and capitalizing on the opportunities, that uncertainty presents to an organisation's objectives.

Sound risk management can lead to more effective, results-based, and high performance government. In turn, increased capacity and demonstrated ability to assess, communicate and respond to risks builds trust and confidence, both within the government and with the public.

Source: Secretariat of the Treasury Board of Canada (2010), *Guide to Integrated Risk Management*, www.tbs-sct.gc.ca/tbs-sct/rm-gr/guides/girm-ggirtb-eng.asp (accessed 15 October 2013).

The government has given itself the goal of having every ministry and agency to develop a risk management strategy as part of its strategic plan. This is a highly commendable objective, which requires co-ordinated action to implement the practice and culture of risk management into public bodies. A first positive step would be for the Centre of government to provide guidance on the philosophy, procedures and results of risk management, as well as precise implementation steps and responsibilities. At this stage, it could build on similar guidance documents used by different OECD countries to promote risk management across government bodies, including the UK's Orange book

(HM Treasury, 2004) and Canada's Framework for the management of risk (Secretariat of the Treasury Board of Canada, 2010b). After implementation, it will be important to build capabilities for risk analysis in ministries and to submit risk management strategies to public consultation, deliberation in the expert committees and scientific assessment.

Finally, the experience of OECD countries shows that governments operate in a highly complex and unstable environment which makes longer-term planning difficult. Anticipation of future trends and issues is necessary to ensure longer-term preparedness to deal with risks and seize opportunities. This requires ongoing scanning the horizon, identification of inter-related and new issues, positioning the government to deal with emerging trends, possible major developments or horizontal issues, which is now performed to some extent by the Presidency of Kazakhstan.

Recommendation

5.11. Elaborate detailed risk management guidelines; instruct ministries and agencies to implement the guidelines and enhance their risk analysis capabilities; submit the risk management strategies to the same stakeholder consultation and scientific assessment requirements as draft regulations.

Policy implementation and service delivery

Public services have been at the centre of important reforms in the past year. The 2012 law has set up a government-wide framework for the reform of service delivery, with two core principles: standardisation, i.e. the definition of quality of service criteria (such as waiting time), and a reorganisation centred on the increased use of IT systems. In addition, the Presidential decree adopted in February 2013 has provided that in all ministries, both service delivery and IT development should be placed under the authority of the Executive secretary, making the latter the key actor in charge of the implementation of the law in his or her area of competence.

The tool for standardisation (and for assessment) of service delivery is a registry of public services created by the government in 2007.[28] The registry listed 647 activities carried out both at central and local level in 2014, but was still incomplete. A new law on public services was passed in April 2013 in order to better define responsibilities in standardisation, giving in particular the role of co-ordination within the government to the Ministry of National Economy. The Ministry is now engaged in completing the registry with 160 additional services and developing a long-term action that will provide the legal framework for further actions. The service providers (ministerial committees, subordinate bodies) are in charge of making proposals for standards and regulations in their areas of competence, submitting these to public deliberation and communicating the result to the Ministry of National Economy. The law also provides for the publication of annual reports on service delivery by all public providers and for the monitoring of the quality standards by the civil society.

Service delivery is an area where user feedback could be of great value, both when it comes to defining quality standards and monitoring the quality of services. For this, however, the conduct of opinion surveys should be generalised and the measurement issues mentioned before should be addressed (see Box 5.7 on surveying practices in OECD countries). Committees, in particular, should not be in charge of surveying their own users with regard to service quality (for more discussion see Chapter 4).

Recommendation

5.12. As part of the ongoing modernisation of public services, provide for systematic collection, analysis and publication of data on service delivery and outcomes by independent organisations. Use citizens' and businesses' opinions both to define service standards and to assess services on a regular basis and establish systems for benchmarking service delivery performance domestically and internationally.

Public management in the ministries

Human resources

The role of the ministries in relation to the management of their human resources appears rather limited. As explained in the OECD 2012 report on Performance Incentives and Management System (PIMS) in Kazakhstan, which examines human resource management (HRM) in detail, large swaths of the management of the civil service fall under the remit of Centre of government bodies:

- The Civil Service and Anti-Corruption Agency is responsible for the selection and hiring of civil servants, the assessment of their skills, the training policy, the creation of the Corpus A of senior executive service,[29] ethics and finally disciplinary sanctions.
- Academy of Civil Service is responsible for providing training to civil servants: the National school of public policy, which is an affiliated body of the academy - for the Corpus A, and the Academy for the Corpus B – more specifically for those members of the Corpus B who are on the priority list to be integrated in the Corpus A. Public Service training is also provided by the regional training centres and sectoral organisations.
- The remuneration of civil servants is determined annually by a Presidential decree. However, the ministries have some margin in determining supplementary payments (bonuses).

Beyond routine management, the main responsibility of ministries and agencies lies in HR planning. Indeed, strategic plans have to include objectives and provisions related to the development and human resources, as well as – in their fourth sections – a planning of staff numbers in adequation with the other provisions of the plan.

This review found evidence that many ministerial services, especially departments, are overburdened with their current tasks and unable to cover the complete range of their missions because of human resource constraints. In addition, departments seem to suffer a chronic lack of specialised staff, a result of a non-targeted recruitment policy and high turnover among civil servants. The mobility of civil servants, which would be particularly beneficial if it took place within ministries (especially between departments and committees) and helped them accumulate relevant experience, occurs in fact essentially between ministries and leads to a permanent loss of capital. The ministerial standpoint on these two issues is that the recruitment of civil servants is a government-wide procedure in which there is no room for specific profile requirements; and that the high turnover is an almost inevitable consequence of the development of careers and promotion of young civil servants.

The Kazakh authorities already seem to have recognised the issue of an excessive turnover and are undertaking a number of steps to reduce its impact. For example, some of the measures to reduce the "movement of the full team" in case of changes in the top management composition involve introducing limitations for lateral transfers, which need to be approved by the President; appointment of public servants to corps A and B, which prioritise transfers within the same executive body and its subordinate organisations; and encouraging movement of staff within the same executive body and its subordinate organisations as a positive factor in assessing effectiveness of this body. According to Kazakh authorities, these measures already allowed reducing the number of horiontal transfers. To strengthen the current approaches, in line with the current trend in OECD countries, Kazakhstan may consider improving the level and streamlining the structure of pay in the public service (*see PIMS report for more discussion*). In addition, placing greater focus on workplace management and developing a public service culture that values people and creates an environment that is less hierarchical, focuses on outcomes and promotes creativity and innovation would both drive employee satisfaction and commitment and hence will reduce turnover, as well as provide value for money and better policies and programmes for Kazakhstan's people. In fact, quality of the workplace, including leadership and management, and organisational culture are critical to reduce turnover within individual public organisations and across the public service (as other employment conditions would often tend to be comparable across public organisations). Box 5.9 contains an example of efforts to improve civil service culture and workplaces in the United Kingdom. Another example of promoting workplace excellence comes from the Canadian model of people management performance, available at www.tbs-sct.gc.ca/pses-saff/driver-moteur-eng.asp.

The PIMS report, it is also noted that "issues remain that regard political appointments or appointment of acquaintances down to some of the lowest hierarchical levels" (see also Emrich-Bakenova, 2009) and, in conclusion: "the [Civil Service Agency] needs to invest in hiring more knowledgeable and experienced staff and the responsibility of the hiring process needs to be clearly attributed to the Agency. The experience of the OECD countries also shows the importance of investing in ministerial capacity to write job descriptions, a core element in the process of workforce planning and recruitment."

It also seems necessary to enhance strategic HRM. The 2014-2018 strategic plan of the Agency for Civil Service and Agency for Combating Economic Crimes and Corruption includes a strategic direction "Improving the HRM system in the public service based on the principles of transparency and meritocracy," which includes a number of targets and indicators to improve the selection, evaluation, promotion and professional development of public servants. Yet in practice, strategic plans currently integrate only one dimension of HRM, namely gender equality, when it comes to defining long-term goals, target indicators and tasks; long-term planning of staff numbers appears to be more formal than actually connected to the plan's objectives and actions. Given the importance of strategic plans for providing a legal framework, direction and legitimacy to policy measures, the near-absence of HRM is a strong indication of its weakness at ministerial level.

Box 5.9. **UK Civil Service Reform Plan**

The UK Civil Service Reform Plan includes 5 key pillars: 1) Clarifying the future size and shape of the Civil Service; 2) Improving policy making capability; 3) Implementing policy and sharpening accountability; 4)_ Building capability by strengthening skills, deploying talent and improving organisational performance across the Civil Service; 5) Creating a modern employment offer for staff that encourages and rewards a productive, professional and engaged workforce

The 5th pillar is focusing on modern employment offer, including positive workplace environment, which is critical to prevent high turnover across the public service. This pillar promotes a culture change towards greater focus on outcomes and to become less hierarchical. To support a more flexible, open and pacier culture within the Civil Service, structures need to be flatter, with less focus on whether people are the right grade for the job, and more on whether they are the right people to do it. This means having the right people in the right jobs at the right time, taking into account the varying business needs and structures of different Government departments. Departments must improve workforce planning and ensure that talented people are recognised and deployed appropriately. As a default, all jobs available on promotion should be open to those best placed to fill them, irrespective of their current grade. Furthermore, Departments will continue to review their structures as part of their ongoing change programmes or departmental improvement plans and should through this work look to ensure that there are no more than eight management tiers.

Action: Creating a positive offer for staff: the views of staff will be sought on a new offer for civil servants that encompasses a much less hierarchical, pacier culture focussed on outcomes not process, supporting innovation and rewarding initiative. The new offer will embrace:

- Terms and conditions of employment that reflect good, modern practice in the wider public and private sector. Each Department will undertake a review of terms and conditions and identify those that are beyond what a good, modern employer would provide. They will ensure that the Civil Service will continue to be among the best employers in the country whilst tackling those terms and conditions that often leave it open to caricature.

- Introducing a voluntary “earn-back” scheme for senior managers. The Civil Service needs senior leaders that are equipped, motivated and high performing, to drive and oversee this package of reform. Working in partnership with Departments and other stakeholders, the government will develop plans for a new reward package for senior civil servants. Consideration of a voluntary “earn back” scheme will be included that would allow senior civil servants to place an element of their pay at risk each year, in return for the opportunity to “earn back” this amount by meeting pre-agreed objectives or, to earn a greater amount through exceptional performance.

- Regular and rigorous performance appraisal for all staff, recognising good performance and taking action where performance is poor. Civil servants consistently identify that poor performance is not tackled effectively and that good performance is often not properly recognised. To ensure that performance management is improved, Departments will *i)* Implement a common Civil Service performance framework, linked to the competence framework, for staff below the senior civil servants during 2012/13. This will identify the top and bottom performers; *ii)* Implement a senior civil service appraisal system which will identify the top 25% and the bottom 10%. The bottom 10% will need to undertake performance monitoring and improvement planning; *iii)* Implement the new streamlined policy on managing poor performance, with shorter time frames and clearer guidance.

Box 5.9. **UK Civil Service Reform Plan** (*cont.*)

For all staff that remain bottom performers without improvement and are still not meeting the required standards, a decision will quickly be taken over whether they should be exited from the organisation; iv) Support all managers to implement the new performance framework and explicitly hold them to account for the management of poor performance and attendance through their objectives; v) Consistently recognise and reward high performance using the new performance management approach to identify potential. Recognition can be as simple as a thank you, but can include financial rewards for exceptional work.

- At least five days a year investment in targeted learning and development. Ensuring civil servants have the right skills is a key part of the employment offer – having the right skills enables people to do their jobs efficiently and effectively, and for some is crucial to keeping them safe. Furthermore developing, maintaining and accrediting the right skills for the job enhances employability. The new offer will provide at least five days a year investment in learning and/or development, targeted at the skills most needed for their roles and will cover a wide range of forms of learning, from e-learning, traditional training, and other development activities.

- Creating a decent working environment for all staff, with modern workplaces enabling flexible working, substantially improving IT tools and streamlining security requirements to be less burdensome for staff. For example, to increase flexible working between government departments (ministries), the civil service will 1)begin work to build social media platforms across departments to enable more collaborative working and knowledge sharing between departments; 2) Offer unused or underused space in government buildings for use by SMEs to create more opportunities to exchange ideas and experiences between civil servants and entrepreneurs; 3) Use the results of the recent studies on working environments to create an environment and culture, with new technologies and office designs, which enable staff to do their work anytime and anywhere.

Source: UK HM Office (2013), "UK Civil Service Reform Plan", www.gov.uk/government/organisations/civil-service-reform.

The link between strategic plans, strategic HRM and resource allocation therefore needs to be strengthened (see also next section). Strategic plans should establish a long-term goal of development of human resources – in terms of both numbers and skills – in some areas, notably in departments fulfilling strategic and analytical functions. If capability assessments were to be conducted, their results should be addressed in HR development goals. Countries such as the United States, Australia and Canada undertake regular employee surveys with the purpose of measuring and improving the levels of employee engagement, to promote better organisational results. In the Australian system, the government-wide employee survey is also used to identify values and ethics performance within ministries. Kazakhstan could consider adopting a similar system.

The identification of long-term resource needs and formulation of a long-term HR policy would certainly help reducing staff turnover. In addition, it would be advisable to further encourage mobility inside ministries and agencies, in particular between departments and committees, as a way to develop synergies, facilitate communication and consolidate policy coherence. Ensuring that public servants have a competitive remuneration could help attract high-quality talent to the public sector, reduce corruption and turnover. Solidifying merit-based process across the public service could also reduce patronage and strengthen the quality of human resources.

It needs to be noted that staff development should go hand in hand with greater autonomy of ministries and agencies and a modification of the nature of administrative work - otherwise it would only contribute to a costly bureaucracy. Conversely, it would certainly be unrealistic to expect ministries to take on new responsibilities in policy analysis and formulation in their present resource conditions. The gradual decentralisation of policy design from the Centre of Government to the ministries, and increased flexibility granted to the latter, should therefore be backed by a long-term development of their human resources. Moreover, Kazakhstan would strongly benefit from shifting policy analysis and design to sub-national levels, which also requires sound human resources capabilities.

Finally, currently there is no unified approach to structuring administrative functions within ministries (e.g. HR, accounting, business processes, planning). Some ministries create departments with very few staff members. In other cases similar functions (e.g., HR or planning) are performed by different kinds of departments within ministries. This may lead either to inefficiency in resource management or in overburdening staff across the public sector. Developing guidelines for structuring administrative functions could help reducing inefficiencies and increasing effectiveness and clarity in performing these functions.

Recommendations

5.13. Enhance strategic human resource management by ensuring stronger links between HRM, budget and priority planning within the framework of the strategic plans and link it to the achievement of better organisational performance (*also see 2012 OECD Performance Incentives and Management System (PIMS) in Kazakhstan Report*).

5.14. As part of the effort to increase the autonomy of ministries, allow a development of their analytical capacities. Encourage ministries to deepen co-operation with the CSA in hiring specialised personnel (*also see 2012 OECD Performance Incentives and Management System in Kazakhstan Report*).

5.15. Encourage mobility within ministries, in particular between departments and committees; consider regular employee surveys to measure and enhance employee satisfaction and engagement; advance efforts to reduce staff turnover (*also see 2012 OECD Performance Incentives and Management System in Kazakhstan Report*).

Budget and audit procedures

Aligning strategic planning and budgeting has long been on the government's agenda. As noted in Chapter 3, responsibility for the supervision and co-ordination of budget planning has been shifting between the Ministry of the Economy, which is already in charge of strategic planning and the Ministry of Finance for over a decade now. Currently this responsibility is with the Ministry of Finance. In order to bring together the two types of projection, the Ministry of Economy mandated the inclusion of a specific section (Section 7) on budget planning in strategic plans. However, it did not specify how the content of that section should be related to the goals and indicators set in the rest of the plan, so that in practice, ministries never made such a connection.

In the current situation, planning seems to introduce formal constraints and possibly biases in the budget allocation process without providing it with a stable medium-term framework.

As noted elsewhere in the report, strategic planning, as it is practiced, is disconnected from budget planning. Sectoral programmes, for instance, include an annual financial plan, but beyond the first year, the stated amounts are subject to future adjustments "in accordance with the state budget".

Still, just like policy proposals, spending decisions have to be justified by the planning framework rather than economic analysis. As a result, the ministries' decision-making processes seem to suffer from excessive rigidity, and their ability to impulse innovative policies is limited. It was mentioned to the review team that ministries sometimes find it difficult to allocate resources to a programme that is not related to a strategic indicator – while the process of introducing new indicators in their strategic plans is long and time-consuming. This might be one of the reasons why, in some cases, the link between indicators and actions seems weak and artificial – for instance, in the former Ministry of Environmental Protection's strategic plan, the action "increasing the share of services delivered electronically" appears under the indicator "stabilising the emissions of pollutants in the environment".

Admittedly, the Republican budget includes a reserve fund for non-planified expenditures, but these resources essentially finance new measures decided by the President in his annual declaration (which also leads to a reallocation of funds and an amended budget) as well as emergency situations (as in the case of a natural disaster).

At the same time, budget planning also fails to achieve its foremost goal, namely to establish a clear multi-year financial framework for ministerial services. Expenditures, tax policy and revenues are projected over three years but beyond the current year, these figures are only "preliminary" and do not give ministries a clear indication of the resources that they will eventually have at their disposal. Every year, ministries ask their departments and committees to put forward their budget requests, together with justifications based on their planned objectives. The Ministry verifies and consolidates the proposals made by its services, makes some adjustments to its strategic plan (mainly to its Section 7) and transmits the result to the Ministry of the Economy. The former Ministry of Environment and Water Resources, for instance, has made a request of KZT 223 bn for 2014, even though it expects only a slight increase in relation to its 2013 budget, which amounts to KZT 64 bn. The ministries therefore appear to have a considerable margin for the following year's budget request, and their final budget allocation does not seem to be related to their strategic plan.

Finally, in the optimum environment, strategic human resource management planning should also be considered when developing strategic plans and making budget allocations. Unless the work is undertaken by appropriately skilled and experienced staff, strategic objectives cannot be achieved and public funds cannot be efficiently and effectively utilised in pursuit of those objectives.

The integration of strategic and budget planning is a goal that many OECD governments have pursued because it can be used as an instrument to prioritise and allocate resources to long term objectives, and as a first step towards performance budgeting (see Chapter 4). The task has proved to be challenging for many countries, however. As a first step, the government might consider hardening the present three-year budget programming procedure by setting non-revisable spending limits for each ministry and agency.

In terms of institutional arrangements, it seems necessary to enhance the role of the Ministry of Finance's Tax Committee because of its detailed understanding of tax issues

and its direct relation to taxpayers, for instance by placing the budget planning process under the shared responsibility of the two Ministries.

Recommendation

5.16. Strengthen budget planning in order to provide a stable multi-year framework to ministries; achieve the connection of budget and strategic planning; enhance the role of the Tax Committee (*also see recommendation4.3*).

Oversight and accountability

The Constitutional Law of the Republic of Kazakhstan adopted on 19 June 2007 established a position of Executive Secretary in all central government bodies, with responsibility for the body's human resource management, legal and auditing service, as well as approving its structure. As we emphasised earlier, these functions were extended to IT management and service delivery by the 2013 Presidential decree. The Executive Secretary is therefore in charge of a large part of the internal management of ministries and agencies.

Each ministry has authority over a number of autonomous public entities falling within four legal categories: joint stock companies (JSC), State institutions (SI), State-owned companies (SOC) and limited liability partnerships (LLP).

- SIs are usually extensions of the ministerial services in charge of the delivery of a particular public service or the enforcement and control of a particular body of regulations. They include a vast number of decentralised branches of ministerial committees, which are constituted as separate legal entities (with separate budgets and independent human resource management) even though they are directly related to their committee's central management team. The Ministry of Agriculture, for instance, has more than 400 regional committee branches.
- SOCs also have a public service mission, but appear to enjoy a higher degree of autonomy – most are akin to public agencies responsible for a specific part of the Ministry's business, often of a technical nature. Information and analytical centres, for instance, collect data and conduct analyses in a particular area on behalf of their ministry.
- At the commercial end of the spectrum, JSCs and LLPs are public corporations and public-private partnerships engaged in the production of market goods and services and operating, in principle, in a competitive environment. The Samruk Kazyna and KazAgro conglomerates are the most prominent examples of such enterprises.

Although these categories seem clearly differentiated, mixed situations and exceptions abound. The National institute for the development of local content, for instance, has functions similar to information and analytical centres, but it was a JSC under the former Ministry of industry and new technologies. To the external observer, it does not always clearly appear why a subordinate body has a particular statute, nor if the public services that it provides are clearly separated from the commercial part of its activity. An obvious case of confusion between public service and commercial business is that of more than 500 public facilities (schools, hospitals, etc.) owned and maintained by subsidiaries of Samruk Kazina.

Ministries play a key role in the elaboration and monitoring of the strategic plans of their subordinate bodies and can, in turn, delegate to the latter some parts of the development and implementation of their own strategic plans. For instance, Kazakhstan Temir Zholy, a railways company under Samruk Kazina, played an important role in the preparation of the national programme for the development of railways on the request of the former Ministry of Trade and Communications. In addition to potential issues with regard to competition rules, this type of co-operation sheds light on the reliance of ministerial strategy and policy departments on the technical expertise of subordinate bodies.[30]

Ministries do not always seem to have the actual capacity to control and evaluate the operations of their subordinate bodies. A joint stock company like KazAgro, for instance, is only mandated to report its use of public funds to its parent ministry – namely the Ministry of Agriculture. There are no reporting obligations for funds originating from other sources. As a consequence, part of the company's budget appropriations is not disclosed to the Ministry and the Ministry, in turn, is not in a position to evaluate the use of public funds in terms of project output and outcomes. Some ministries, like the former Ministry of Industry and New Technologies, do not seem to have the actual resources and capacity to monitor and control the operations of their numerous subordinate bodies.

Lastly, there is a lack of transparency in some instances of relations between ministries and public companies. For example, a large share of the budget of the former Ministry of Industry and New Technologies has consisted in transfers to Samruk Kazyna, while the Ministry is not represented in the Board of the company and has no direct means of controlling it.

Recommendation

5.17. Differentiate the status of subordinate bodies according to the nature of their main activities. Consider streamlining ministerial organisational structures, in particular with regard to administrative functions.

Integrity

Corruption is reportedly a formidable problem, maybe the most important the public administration has to face at this stage. Some observers consider that things have improved in recent years in parts of the administration such as the tax services. But all agree that many obstacles still need to be overcome, as illustrated by the case of education. In this area, the magnitude of the problem was such that an independent national examination had to be introduced at the end of secondary studies. In order to support its fight against corruption, the Ministry of Education created an expert committee gathering a large majority of members of the central administration, as well as the representatives of some selected civil society organisations. However, the committee was shortly closed down.

The OECD Anti-Corruption Network for Eastern Europe and Central Asia recently produced a monitoring report which summarises Kazakhstan's progress and remaining challenges in this area (see Box 5.10).

Box 5.10. Some findings and recommendations of the OECD Anti-Corruption Network for Eastern Europe and Central Asia

After completion in 2010 of another anti-corruption strategy, on 31 March 2011 a new strategic document was adopted – the Sectoral Programme for the Fight against Corruption in the Republic of Kazakhstan for 2011-2015. The monitoring report welcomes approval of the new Programme, Government and institutional action plans to implement it, but points out that their objectives lack prioritisation, that there are no references to corruption surveys which would provide a picture of the most corrupt areas and reasons for that, that implementation indicators of the anti-corruption strategy and action plans are formal and inadequate. Despite a number of serious deficiencies of the new strategy its effective implementation may lead to improvement of situation with corruption in Kazakhstan. (...)

Public and expert councils have been set up at the state bodies of Kazakhstan, as instruments for interaction with the civil society, but their activity is often ineffective due to formal approach to consultations with the public, managing of such bodies by representatives of the authorities or domination in them of the ruling party's representatives and NGOs affiliated with it, selective approach in composing such councils. (…)

In the area of public service integrity the legislation of Kazakhstan delineates administrative and political offices of civil service, stipulates a competitive selection to administrative positions, establishes restrictions related to acceptance of gifts. Positive are also legislative amendments made in December 2010, which, inter alia, introduced provisions on the conflict of interests, post-employment restrictions, duty of a civil servant to report corruption offences. In April 2011 a new version of the Code of Ethics of Civil Servants was adopted.

At the same time the report notes a number of serious deficiencies in the legal provisions on integrity in the public service: a too broad and unjustified list of political officials; lack of clear criteria for merit-based competition for administrative positions, possibility for taking such positions without competitive selection, lack of regulation in the law of the promotion procedures which should also be merit-based; lack of clear criteria and restrictions for monetary benefits (bonuses); absence of any reforms in the area of asset declarations, which remain ineffective; inappropriate priorities of the civil service set in the Code of Ethics; not detailed enough provisions on the protection of whistleblowers; preservation of administrative liability for reporting false information on corruption. It is also recommended to disseminate among civil servants detailed guidelines on enforcement of the rules on gifts, practical guides on preventing and resolving conflict of interests, compliance with other restrictions, etc. (…)

As regards the public financial control and audit Kazakhstan is recommended to separate, in line with international standards, functions of the public internal control and audit, to adopt and enforce internal audit standards, as well as to set up internal audit units in the executive power bodies and a Central Harmonisation Unit for audit standards at the Ministry of Finance. It is also necessary to adopt a separate law on the Accounting Committee – a supreme audit institution and introduce changes in the legislation to ensure institutional, functional and financial independence of the Accounting Committee.

In response to these recommendations, Kazakhstan's authorities report that the Presidential decree of March 2013 № 523 established a list of political appointees and administrative positions, which are divided into corps "A" and "B". This measure allowed reducing the number of political appointees by 8 times. The new law on civil service also included behavioural obligations and expectations, which earlier were included only in the code of conduct. Both central and local authorities established conflict of interest guidelines. The Civil Service Agency was renamed into Civil Service and Anti-corruption Agency with a stronger mandate to counteract corruption in 2014.

Source: OECD Anti-Corruption Network for Eastern Europe and Central Asia / Istanbul Anti-Corruption Action Plan, *Kazakhstan Monitoring Report*, Second Round of Monitoring, 2011; information provided by the Kazakhstan's authorities to the OECD.

Some of the findings of the OECD Anti-Corruption Network seem relevant even beyond the issue of corruption strictly speaking. Kazakhstan's ministerial services and public officials often find themselves in situations of conflicting interests where they are required to control and report on their own work. Strategy departments are in charge of monitoring the implementation of the strategy that they have developed and measuring its outcomes. Committees are supposed to conduct surveys on the quality of the services that they deliver. Elections of local officials, such as school directors, take place under their own authority. Such tasks should be delegated to a third party: independent organisations specialised in opinion surveys and interaction with users, a government agency outside of the ministry or, in the case of weaker conflicts, the ministry's audit department. When evaluating a ministry's performance or users' satisfaction, particular emphasis should be placed on objectivity and scientific rigor in handling methodological issues such as the choice and the measurement of indicators.

Recommendation

5.18. Increase transparency by systematically identifying and solving issues of conflicting interests, enhancing the role of independent assessment and audit services and opening information on administrative expenditures, including salaries and benefits of public officials. Consider undertaking an OECD integrity review; include questions on departmental values and ethics performance in regular public service employee surveys.

Notes

1. The Ministry of Environment and Water Resources and Ministry of Industry and New Technologies have been amalgamated with other ministries in Kazakhstan during the latest reorganisation in August 2014.

2. These annexes present the results of a review of the functions and organisation of four ministries of the government of the Republic of Kazakhstan: the former Ministry of Industry and New Technologies, the Ministry of Agriculture, the Ministry of Education and Science and the former Ministry of Environment and Water Resources, see footnote 126, in Chapter 5.

3. The text was initially a decree of the President, and was transformed into a Constitutional law by the Constitutional law of the Republic of Kazakhstan No. 379-1, dated May 6, 1999.

4. Respectively Law of the Republic of Kazakhstan No. 453, dated July 23, 1999, "On public service", Law of the Republic of Kazakhstan No. 107, dated November 27, 2000, "On administrative procedures", and Decree of the President of the Republic of Kazakhstan No. 6, dated January 22, 1999, "On the structure of the government of the Republic of Kazakhstan".

5. Decree of the President of the Republic of Kazakhstan No. 827, dated 18 June 2009, "On the system of state planning in the Republic of Kazakhstan".

6. Decree of the President of the Republic of Kazakhstan No. 954, dated 19 March 2010, "On the system of annual performance evaluations for the central State, local executive bodies of oblasts, and cities of Republican status".

7. Decree of the President of the Republic of Kazakhstan No. 1449, dated 29 September 2004, "On measures to further improve the system of government of the Republic of Kazakhstan".

8. Law of the Republic of Kazakhstan No. 315, dated 27 July 2007, "On making amendments and additions to some legislative acts of the Republic of Kazakhstan on the modernization of public administration".

9. Strategic Plan for development of the Republic of Kazakhstan until 2020, adopted by the Decree of the President of the Republic of Kazakhstan No. 922, dated 1 February 2010.

10. The first central government bodies to be reviewed were the Ministry of Health, the Ministry of Labour and Social Protection, the Ministry of Industry and New Technologies and the Agency for Competitiveness Protection (Antimonopoly Agency).

11. The current general Approaches to Modernisation of Public Administration by 2020 propose a new structure of the strategic plan. The new plans are proposed to be developed for 3 years and would include two new sections "Priority areas/industries" and "Architecture of interrelation between strategic and budget planning." These sections will aim to reflect top priority areas of ministries and the necessary implementation measures, as well as to demonstrate interrelation between the nation-wide goals, strategic areas and the budget. The sections related to development capability, inter-agency co-operation and risk management have been excluded. Finally the "budget programmes" section has also been excluded as they will be approved as a separate document.

12. Kazakhstan has accumulated a stock of more than 22.3 billion tons of industrial waste, in part inherited from the Soviet Union, as well as more than 100 million tons of municipal solid waste (Ministry of Environmental Protection, 2013).

13. Budget programme No. 12 ("Elimination of historical pollution") was allocated KZT 5.6 million in 2011, out of total expenditures of KZT 21.5 billion for the Ministry. Budget programme No. 20 ("Destruction of wastes containing persistent organic pollutants") did not have any funding over the period (the World Bank co-financed a project in this area).

14. 2010 Decree of the President of the Republic of Kazakhstan No. 954.

15. This seems to be often the case for the Key Performance Indicator on user satisfaction.

16. Order of the Acting Minister of Economic Development and Trade of the Republic of Kazakhstan No. 351 on December 29, 2012.

17. It is proposed to remove this section in the new format of strategic plans, as noted in Kazakhstan's General Approaches to Modernisation of Public Administration by 2020.

18. In Chapter 3, these are referred to as "soft tools".

19. See Recommendation 2.1.

20. For a review of literature and policy statements on this point, see Hallsworth, M. (2011).

21. Resolution of the Government No. 598 of 30 May 2002, article 5.

22. Law No. 213-1 of 24 March 1998 on Normative Legal Acts.

23. "On the system of State planning in the Republic of Kazakhstan", Decree No. 827 of the President of the Republic of Kazakhstan on June 18, 2009.

24. A general rule requires public bodies to respond to any letter from a citizen, but it is not clear if it applies systematically to comments provided electronically.

25. Mason (2010), among others, analyses the Convention's achievements and shortcomings.

26. The *Citizens First* research series and the Taking *Care of Business* research surveys conducted by Canada's inter-governmental Institute for Citizen Centred Service: www.iccs-isac.org

27. It is proposed to remove this section in the new format of strategic plans, as noted in Kazakhstan's General Approaches to Modernisation of Public Administration by 2020.

28. Decision of the Government of the Republic of Kazakhstan No. 558, dated 30 June 2007.

29. The 2012 Law on public service divides the civil service into "Corpus A" and "Corpus B".

30. See Recommendation 3.1.

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Annex A

Review methodology

The review of Central Administration of Kazakhstan is based on the long-standing expertise of the OECD Public Governance Committee in public governance reforms and strengthening administrative capacities of member and non-member states, including governance and functional reviews of national administrations. It is part of the broader Project "Regulations for Competitiveness" aimed to enhance Kazakhstan's Sector Competitiveness through Better Regulations and Institutions.

The review covers the agencies at the Centre of Government (CoG) and four pilot ministries (former Ministry of Industry and New Technologies, Ministry of Education and Science, Ministry of Agriculture and former Ministry of Environment Protection, hereinafter "pilot ministries").

The review focused on two kinds of assessment:

- Formal competencies and procedures: How does the government system *suppose to* operate? The assessment is based on analysis of laws and policy documents complemented by interviews with Kazakh officials, representatives of national NGOs and independent experts.
- Actual competencies, capabilities and procedures: How *does* the government system operate? This assessment is based on quantitative data, internal documents (organisational charts, description of procedures) and qualitative information gathered through questionnaires.

The review involved four main components:

1. ***Legal analysis and benchmarking***, which focused on the systematic examination of structures, roles, procedures and practices within the four pilot ministries and the CoG, and associated financial and human resources. *At the ministerial level* it involved mapping ministerial functions, analysis of sectoral competencies and competency allocations across relevant institutions and benchmarking against relevant ministries in other countries. *At the central agency level*, the analysis involved mapping and benchmarking of central agency functions against those in OECD countries. This mapping was based on the information provided by the ministries and legal and policy review in Kazakhstan. This exercise allowed mapping both the distribution of ministerial competencies across policy fields and the distribution of policy competencies across ministries.
2. ***Background analysis,*** including legal and policy documents related to the legal and institutional framework of the government of Kazakhstan, including strategic plans, sectoral programmes and organisational structures.

3. ***OECD questionnaires*** focusing on management processes and functions, completed by pilot ministries and central agencies. These questionnaires aimed to collect data on the actual practices within the public administration in Kazakhstan.
4. ***Fact finding missions to Kazakhstan***, involving OECD experts and peer reviewers from the United Kingdom, Korea, and Greece.

Annex B

Service co-ordination boards

Co-ordinating and integrating service delivery across governments and between levels of governments

International developments in integrated service delivery

Integrated Service Delivery (ISD) is one of the major international trends in public sector reform, and a key element in improving government services to citizens and businesses.[1] Governments around the world such as the United Kingdom, Canada, Australia, Malaysia, the USA, Singapore, Portugal and Brazil have all created one-stop service agencies and one-stop service centres to provide integrated public sector services either across entire governments. In some cases, such as Malaysia and Canada, integrated "one-stop" service delivery is also being provided across levels of government. Among the best known of these initiatives are Service Canada which has 600 offices across the country providing national government services to citizens, the Canada Business Service Centres which provide one-stop services from three levels of government to Canadian businesses, as well as Centrelink in Australia which has over 300 offices providing national services, Malaysia's seven Urban Transformation Centres (UTCs), and Portugal's Citizen Shops. The latter two initiatives provide services from three levels of government, plus related private and NGO sector services, including banking and utilities.

According to the Malaysian Government there are two forces driving these developments:

- "For clients: to make government services easier to find and to get one-stop services around life events like starting a business, getting a passport, a death in the family, or retiring.
- For taxpayers: to reduce costs and make service delivery more efficient through co-location and through integrated service delivery on other channels such as government-wide web portals, and one-stop call centres."[2]

These developments pose new governance challenges in public administration, since they require the co-ordination of multiple programs, departments, and even levels of government. To date, integrated service delivery is being accomplished through a range of governance arrangements, and these arrangements tend to strengthen over time from informal collaboration to new organisational structures that span the whole government (e.g. Australia's Centrelink) or across levels of government (Malaysia's Urban Transformation Centres and Rural Transformation Centres). The trend in governance arrangements shows a maturity model that strengthens collaborative arrangements over time as shown in the following figure.



This evolutionary trend in governance arrangements for integrating service delivery across governments and between governments was observed, for example, in the creation of Service Canada by the Canadian Government in 2000. In the initial stage Service Canada was a voluntary partnership of several government departments, providing common services at counters in each department branded as "Service Canada". The governance arrangement for the first five years was an informal inter-departmental Board of Directors drawn from the major participating departments. In 2005, Service Canada became a distinct new one-stop service agency housed within the Department of Human Resources Development Canada, led by a Chief Executive Office, and delivering services for a number of departments through a series of Service Agreements.

At the Provincial level of government in Canada Service Ontario evolved in a similar manner over the same time period, from a collaboration among several departments to deliver services at one-stop counters (steered by an Inter-Departmental Management Committee) to a new stand-alone agency led by a CEO that was given the mandate to deliver most government transactional services on behalf of the entire government, as well as being given the mandate to pursue co-delivery arrangements with the national government. In this case many transactional services were transferred to the new organisation. In other cases, services are delivered by Service Ontario on behalf of other Ontario Government departments, through contractual agreements. In general, there are now three types of organisational arrangements observed internationally in Integrated Service Delivery initiatives:

1. *Service Co-locations and Virtual Collaborations* (e.g. Service Tasmania; Malaysia UTCs).
2. Integrated One-Stop Delivery Partnerships (Canada Business Services Network).
3. Government-wide Service Agencies (Service Canada and Australia's Centrelink).

In the case of co-located service delivery initiates such as the Malaysian Urban Transformation Centres, one Government provides the leadership and co-ordination to bring multiple departments and governments voluntarily to provide public sector services in one building. In the Malaysian case, sometimes the leadership is provided by the State level Secretary, and other times by a Mayor, depending on political circumstances. The UTCs bring over 60 government services from three levels of government together in one building.

As of 2014, there are seven UTCs operating in the major cities across Malaysia providing government services from three levels of government, from 9 am to 10 pm seven days a week.

It can also be observed that integrated service delivery initiatives grow and deepen along four different dimensions over time:

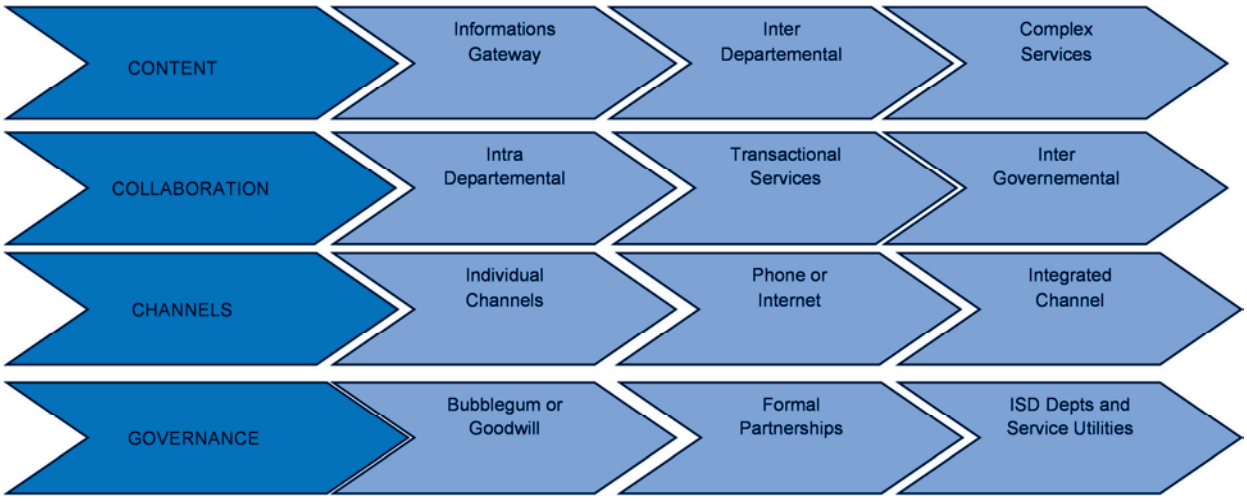
1. Content of the services
2. Collaboration across departments and governments

3. Integration of service channels over time, and
4. Governance arrangements

The figure B.1 from the Malaysia Government's "Managers Guide to One-Stop Service Delivery Centres" outlines the observed evolution of Integrated Service Delivery initiatives.[3]

Figure B.1. The evolution of integrated, one-stop delivery models

Four trends in service collaboration



The implementation strategy for integrating service delivery in several OECD countries has been to start with simple collaborative service delivery arrangements and then to strengthen and deepen them over time.

Promoting collaborative service delivery in Canada: co-ordinating Councils

Among OECD countries, Canada is considered to be highly advanced in providing citizens and businesses with integrated, one-stop service delivery. As early as 1992, Canada established one-stop service centres for business clients, through the co-location of services to business from all three levels of government in a Canada Business Service Centres in major cities across the country. Likewise, in 2000, the national government launched Service Canada Centres for citizens (as of 2014 there are over 600 service locations) that provided one-stop government services. Moreover, all Canadian Provinces and many cities have established one-stop service agencies, and recently some have collaborated to provide services from all three levels of government in one building, such as in Ottawa, the nation's capital city. Moreover, integrated one-stop service arrangements involving health and social services provided by three levels of government and non-governmental organisations have been developed in several areas of the country such as Ontario and Manitoba Provinces.

Co-ordinating mechanisms

There are several well-developed co-ordination and collaboration mechanisms in Canada that have been evolving and strengthening since 1997 (Figure B.2). These collaborative Councils are designed to achieve the co-ordination and integration of service delivery across all three levels of Government, as well as integration of the work

of the Service Delivery officials with the work of the senior Information Technology officials across the public sector. In the Canadian Model of co-ordination and collaboration, there are three separate Councils that work together on the service improvement agenda, supported by an inter-governmental Institute for Citizen Centred Service (www.iccs-isac.org).

The Public Sector Service Delivery Council (PSSDC) was established in 1998 with the mandate to: "share information, develop partnerships and facilitate potential solutions that can be used to improve public sector service delivery". Its membership includes senior service delivery and central agency officials from the Federal, Provincial and Municipal Governments. Besides working together to improve public sector services, the PSSDC also initiated regular surveys of citizens and businesses to determine their needs, their service improvement priorities, and their satisfaction with government services. The Council meets in person as well as by electronic means, and maintains a number of inter-jurisdictional working groups in areas as research, integrated service delivery and training.

The Public Sector CIO Council (PSCIOC) was established in 1997 and has the Mission to: "enable enhanced service to the Canadian public through collaboration across governments and through demonstrated leadership in the management of information and technology" It maintains a number of inter-governmental working groups in areas like inter-operability, information management, security and common client identification systems.

These two Councils have worked seamlessly together since 2004 with a common agenda and a common strategic plan, and together they are known as the **Joint Councils.**

In addition, a council of **Heads of One-Stop Service Agencies** was established in 2005 to bring together the leaders of the major Federal and Provincial one-stop agencies, like Service Canada, Service Ontario, Service British Columbia and Service New Brunswick. Their collaborative agenda has focussed on building service partnerships, inter-operability, collaborative training (the Service Managers Certification Program) and building organisational cultures devoted to achieving service excellence.

The PSSDC and the PSCIOC are supported by the **Institute for Citizen Centred Service** (ICCS), which is housed within the Ontario government, and which is funded and directed by a Board of Directors nominated by all three levels of government in Canada. Established in 1992, the ICCS provides Secretariat Services to the collaborative Councils, and their working groups. The ICCS website serves a repository for the collaborative research, best practice cases, common tools such as the Common Measurements Tool, provides a benchmarking services, and develops and delivers training and certification programs for the whole public sector, as well as other countries.

The ICCS has been indispensable in the development of service collaboration and co-ordination across the Canadian public sector, and provides necessary support and continuity as Council members change over time.

Box B.1. Canada's Institute for Citizen-Centred Service

Mission

The mission of the ICCS is to support public-sector organisations achieve high levels of citizen and business satisfaction by:

- facilitating inter-jurisdictional collaboration;
- sharing research, tools, resources and knowledge;
- building organisational capacity through development of the service profession; and
- promoting excellence in citizen-centred service.

Mandate

In support of the Vision and Mission, the ICCS:

- provides secretariat and other support services to the Public Sector Service Delivery Council (PSSDC) and Public Sector Chief Information Officer Council (PSCIOC);
- provides a neutral platform for inter-jurisdictional collaboration and shared learning in support of the service delivery community in Canada;
- undertakes research into citizen and business expectations, satisfaction, and priorities for service improvement;
- measures, monitors and promotes the progress of the Canadian public sector in improving citizen and business satisfaction with service delivery;
- recognises and celebrates excellence in citizen-centred service;
- serves as a resource centre for best practices, publications, and tools that promote management improvement of cost effective public sector service delivery, including electronic service delivery;
- supports the growth of organisational capacity through the delivery of the ICCS Certification and Learning program; and
- is a global centre of expertise and a champion for citizen-centred service across service channels and throughout the public sector.

Source: www.iccs-isac.org

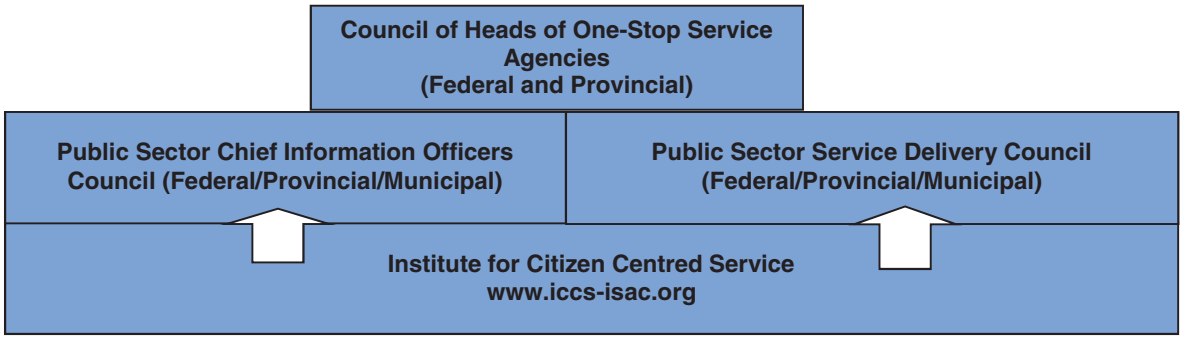
The benefits of co-operation

According to the ICCS, the benefits of the Canadian Model of inter-jurisdictional co-operation include:

- Reducing duplication of effort and encouraging development of consistent standards and approaches across the country;
- Using limited financial resources more efficiently through the pooling of funds for initiatives; allowing smaller jurisdictions to benefit from the expertise, financial resources of the federal government and larger provinces;
- Allowing governments a unique window on pan-Canadian perspectives within a collaborative, consensus-oriented framework; and
- Providing unique networking opportunities across jurisdictions.[4]

Concrete examples of these benefits include the regular *Citizens First* and *Taking Care of Business* collaborative national surveys, which are co-funded by partner agencies across all levels of government; the ICCS service satisfaction benchmarking service; and the Certified Service Managers training programs developed collaboratively to serve all jurisdictions and all agencies across the country.

Figure B.2. **Canada's Service Coordination and Collaboration Councils**



Notes

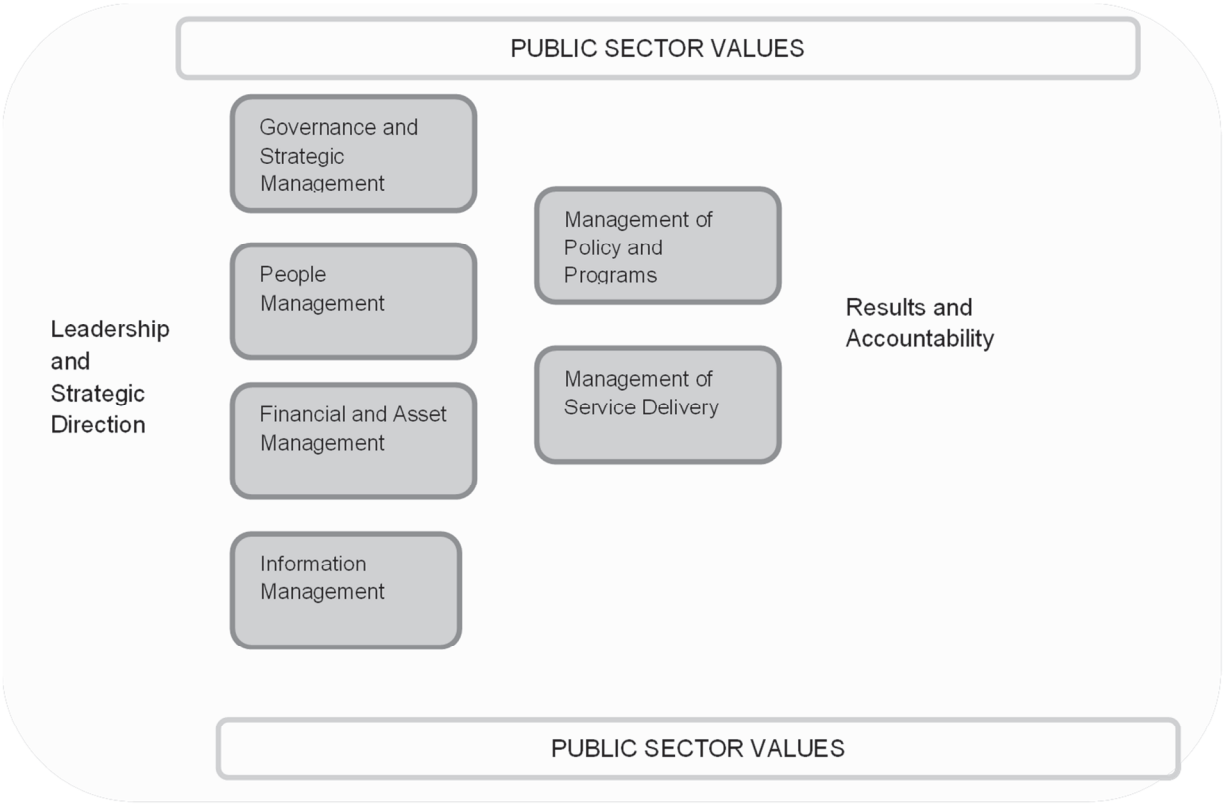
1. Dr. Kenneth Kernaghan, Integrating Service Delivery, Institute for Citizen Centred Service, Toronto, 2008. For the related international case studies on Integrated Service Delivery see: www.iccs-isac.org/research/publications-sale/integrating-service-delivery/?lang=en.
2. "A Manager's Guide to One-Stop Service Delivery Centres", Malaysia Productivity Corporation, Government of Malaysia, Kuala Lumpur, 2013, p. 6.
3. Ibid p. 12.
4. ICCS Information Sheet: Inter-Jurisdictional Secretariat Services.

Annex C

Canada's Management Accountability Framework process

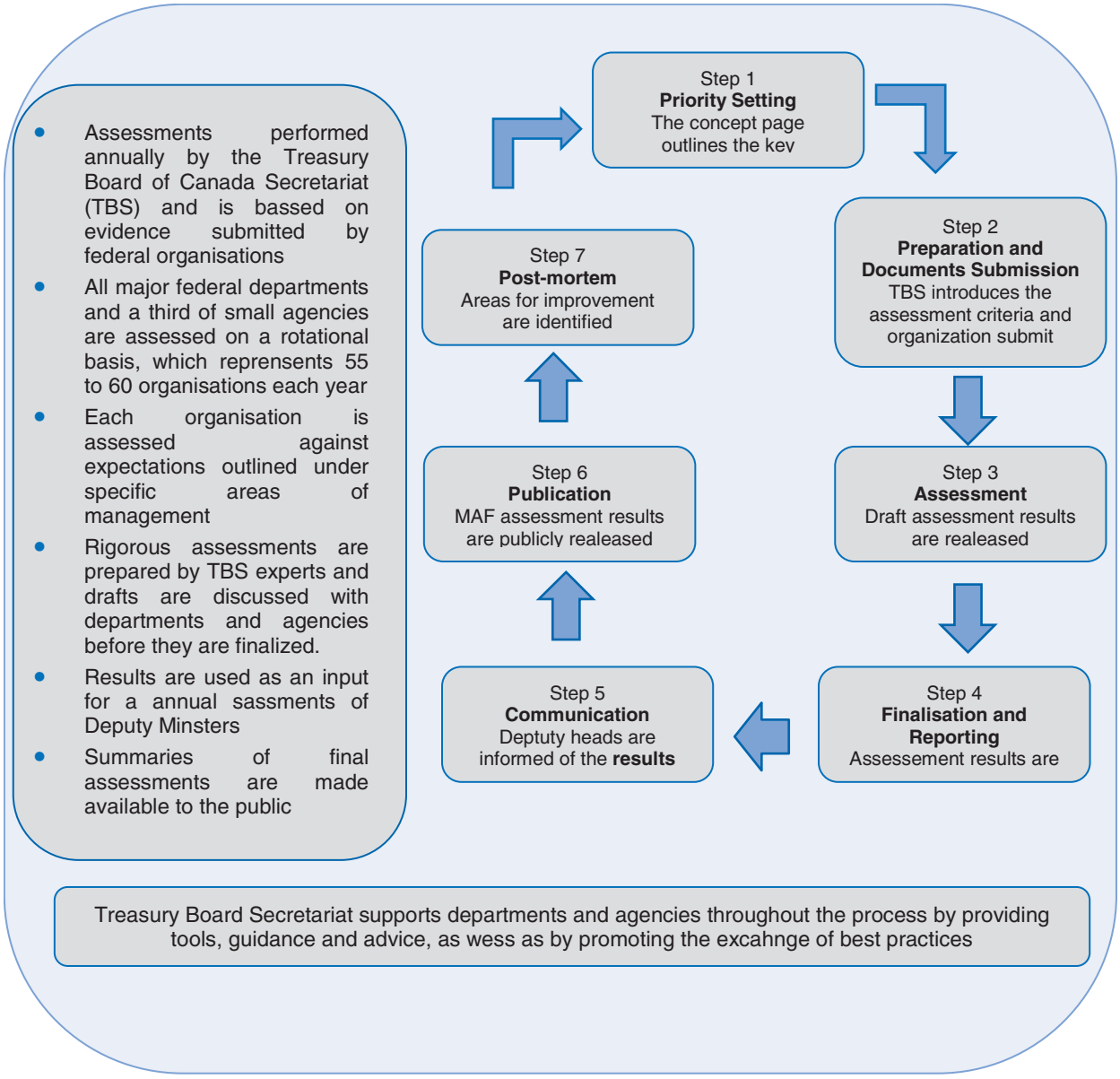
Canada's Management Accountability Framework (MAF) was implemented in 2003 to hold heads of departments and agencies accountable for management performance, and to continuously improve management performance.

Figure C.1. **Canada's Management Accountability Framework**



On an annual cycle, the Treasury Board Secretariat (TBS) evaluates departmental performance on each of the ten aspects of the MAF framework, provides a score, and identifies the priority areas for management improvement, which must be measurably improved by the agency over the next twelve months. Departments electronically submit supporting evidence of their performance in fifteen areas of management, and this evidence is evaluated by the TBS and a score is given on each element of the MAF. For areas of management that receive a low score, the Department must prepare an improvement plan for implementation during the next year. MAF scores are posted on a public website by the TBS. A Department Head's performance on the MAF helps determine his or her performance pay for the year. Over the past ten years, since MAF was introduced, departmental management scores have steadily improved, demonstrating the effectiveness of MAF in improving public management.

Figure C.2. **Performance evaluation cycle in Canada**



The MAF system also uses summary 'report cards' to provide an overview of the results achieved by each department, as shown below. These report cards are helpful for senior departmental managers, for central agencies, for parliamentarians, and for citizens to provide a quick snapshot of departmental performance, including areas of strength and weakness.

Table C.1. **Example of a MAF report card in the Canadian Public Service**

Area of management assessed	Last	Current	Change
Values and ethics	OI	AC	△
Managing for results	AC	AC	=
Citizen-focused service	AC	AC	=
Internal audit	AC	AC	=
Evaluation	ST	ST	=
Financial management	AC	AC	=
Management of security	AR	AC	△
Risk management	AC	AC	=
People management	OI	AC	△
Procurement	OI	OI	=
Information management	AC	AC	=
Information technology managmenet	AC	AC	=
Asset management	AC	AC	=
Investment planning and management of projects	ST	AC	▽

Rating scale:

Strong (ST)
Acceptable (AC)
Opportunity for improvement (OI)
Attention required

Annex D

New Zealand's capability reviews – key questions

Table D.1. **Results of New Zealand's capability reviews**

Critical area	Lead questions
Government priorities	1. How well is the agency responding to government priorities?
Core business	2. How effectively is the agency delivering each core business area?
	3. How efficiently is the agency delivering each core business area?
	4. How well does the agency's regulatory work achieve its required impact?

Table D.2.**Operational management**

Critical area	Element	Lead questions
Leadership, direction and delivery	Purpose, vision and strategy	5. How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership and governance	7. How well does the senior team provide collective leadership and direction to the agency? 8. How well does the Board lead the Crown entity (for Crown entities only)?
	Values, behaviour and culture	9. How well does the agency develop and promote the organisational values, behaviour and culture it needs to support its strategic direction?
	Structure, roles and responsibilities	10. How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business? 11. How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?
	Review	12. How well does the agency monitor, measure and review its policies, programmes and services to make sure that it is delivering its intended results?
	Engagement with the minister	13. How well does the agency provide advice and services to its minister(s)?
	Sector contribution	14. How well does the agency provide leadership, to, and/or support the leadership of other agencies in the sector?
External relationships	Collaboration and partnerships with stakeholders	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?
	Experiences of the public	16. How well does agency meet the public's expectations of service delivery quality and trust?
People development	Leadership and workforce development	17. How well does the agency develop its workforce (including its leadership)? 18. How well does the agency anticipate and respond to future capability requierements?
	Management people performance	19. How well does the agency encourage high performance and continuous improvement among its workforce?

Critical area	Element	Lead questions
		20. How well does agency deal with poor or inadequate performance?
	Engagement with staff	21. How well does the agency manage its employee relations? 22. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
	Asset management	23. How well does the agency manage agency and crown assets, and the agency balance sheets, to support delivery and drive performance improvement over time?
	Information Management	24. How well does the agency utilise information and communications technologies to improve service delivery?
Financial and resource management	Improving Efficiency and Effectiveness	25. How robust are the processes in place to identify and make efficiency improvements? 26. How well does the agency evaluate service delivery options?
	Financial Management	27. How well does the agency plan, direct and control financial resources to drive effective output delivery?
	Risk Management	28. How well does the agency manage its risks and risks to the Crown?

Annex E

Assessment of the functions and organisation of the Ministry of Industry and New Technologies[1]

Introduction

Kazakhstan's Gross Domestic Product has increased at the remarkable average rate of 8% a year since 2000. The main engine of this growth has been the development of extractive industries, backed by the country's immense natural wealth in oil, gas, coal, uranium and non-ferrous metals. According to the World Bank's accounting, the total rent provided by oil, natural gas and coal, which had fallen at 13% of the GDP at its lowest in 1998, has fluctuated between a third and half of the GDP since 2005.[2]

Like other resource-rich countries, Kazakhstan is exposed to the risk of the so-called "Dutch disease": because of their profitability, extractive industries tend to attract a large share of the country's investment; being mostly exported, they also contribute to a current account surplus which pushes the exchange rate to appreciate; both factors impede the development of other productive sectors; the average level of income increases substantially faster than labour productivity in sectors other than mining; the share of consumption and of non-tradable goods and services in the economy tends to rise.

Some of these features are indeed apparent in Kazakhstan's economy,[3] and the government is aware of the long-term risks they create for the country. The need to diversify its sources of income, away from the fluctuating revenues of raw material exports, provides an additional motive. The government has therefore declared diversification and the transition to higher value-added activities its core economic objectives.

The Ministry of Industry and New Technologies (MINT) has a pivotal role in this regard, as the central government body in charge of the conduct of an ambitious industrial policy, with close relations with the country's largest State-owned corporation, Samruk Kazyna, which itself controls a large share of the country's mining activities.

Kazakhstan's industrial policy has gradually developed in the course of the past decade and nowadays extends to most sectors of the economy. The sectoral programme of accelerated industrial development of Kazakhstan for the years 2010-14 covers sectors as diverse as mining, construction, capital and consumer goods, the agro-food industry, biotechnology, renewables and tourism. The strategic plan of the Ministry itself is built around six strategic directions for the years 2011-15: innovation and technological progress in the economy, support to priority industries in mining and manufacturing, development of electricity supply and distribution, promotion of nuclear energy, exploration of hydro-geological resources, and expansion of tourism activities.

The Ministry therefore has key responsibilities in areas such as research and development, sustainable development and natural resource management, and infrastructure development, all of which involve a number of other governmental bodies. The improvement of services delivered by the Ministry of Industry and New Technologies to companies, in particular the creation of a favourable investment climate, incentives to invest in new technologies and efficient regulation, would help Kazakhstan's economy to continue its development while reducing its reliance on depletable natural resources.

This section provides an overview of institutional and operational aspects that determine the Ministry of Industry and New Technologies' policy-making capacity: its legal missions and functions; its strategic framework; its policy design and implementation tools and procedures; its internal structure and organisation; and its budget and oversight responsibilities. On the basis of this analysis, the section concludes with a brief assessment of the organisation and policy-making capacity of the Ministry and a set of policy recommendations.

Mission and functions

As defined by the law,[4] the ministry's missions consist of:

- participating in the formulation and implementation of state policy in the spheres of industry and industrially-innovative, scientific and technological development; mining and metallurgical complex; mechanical engineering, chemical, pharmaceutical and medical, light, woodworking and furniture industries; building and construction materials; safety of machinery and equipment and safety of chemical products in accordance with industry practices; establishment, operation and abolition of special economic zones; export controls, technical regulations and measurements; power; subsoil for solid minerals; underground water and therapeutic muds; coal industry; the use of atomic energy; the state geological survey; reproduction of the mineral resource base, rational and integrated use of the subsoil, the state control of resource exploitation regarding solid minerals, underground water and therapeutic muds; energy; tourism activities;
- ensuring the inter-sectoral co-ordination of State bodies in the activities relevant to its competence;
- creating conditions for economic development through the use of science and technology and the formation of high-tech industries;
- promoting innovation through organisational and economic conditions, including the attraction of investments to support the State innovation policy;
- implementing the government's investment support policies;
- developing proposals for improving the investment climate and stimulating investment in new or renovated facilities using modern technology;
- carrying the implementation and monitoring of investment projects;
- co-ordinating the processes of diversification and accelerated industrial-innovative development of the economy;
- governance in regulated areas; and

- performing other tasks assigned to it within its areas of competence.

The law further specifies 255 areas of responsibility and 197 functions of the Ministry.

The Ministry has undergone a number of transformations in its scope of activity over recent years. It was originally created in 2002 by separating competencies related to trade and industry from the Ministry of Economy.

In March 2010, the Ministry of Trade and Industry was changed into the Ministry of Industry and New Technologies as trade-related functions were taken away (and returned to the Ministry of Economy) and functions pertaining to electric power, mining and nuclear energy were transferred to it (from the Ministry of Energy and Mineral Resources, which became the Ministry of Oil and Gas).

In May 2012, the Ministry's Committee for Atomic Energy was abolished and transformed into a separate agency. In January 2013, finally, the Agency for Atomic Energy was re-integrated in the Ministry.

Strategy

The high-level strategic document of the government in the field on industrial development is the State Programme of accelerated industrial development of Kazakhstan for the years 2010-14. It is one of the sectoral programmes that provide a framework for the strategic plans of several ministries on certain cross-cutting issues. Unlike other sectoral programmes, however, it does not derive from the President's long-term vision documents ("Kazakhstan 2030" and "Kazakhstan 2050"), but from the Action Plan elaborated to implement the orders he made during an extraordinary congress of the Nur Otan party in May 2009.

The Programme was jointly developed by the Ministry of Industry and New Technologies and the Ministry of Economic Development and Trade. It includes actions in the country's traditional areas of specialisation (oil and gas, mining, nuclear energy, the chemical industry) to shift from the production of raw materials to higher levels of processing and transformation; investments in other sectors with strong growth potential, whether it generates from internal demand (the pharmaceutical industry, construction, equipment goods) or exports (the agro-food industry, light industry[5] and tourism) and finally in high-tech sectors that could provide the basis for economic development in the longer term (ICT, biotechnology, space, renewable energy). The choice of these priority sectors was based on a technological foresight study conducted by the MINT with the support of the Korean Institute of Science and Technology Evaluation and Planning.

The objectives of the Programme are expressed in terms of output and productivity growth (including at least 38.4% growth in real terms in GDP between 2008 and 2015), of proportion of local content in the procurement of public entities, of share of innovative companies and of reduction of the energy intensity of the GDP.

Actions include the construction of production facilities and infrastructures (transport, energy), co-operation with higher education institutions to improve workforce qualifications, research and development projects and innovation grants, regulatory measures (reduction of administrative burdens, improvement of technical regulations), tax incentives, attraction of foreign direct investments and export support. However, some of the largest projects aim to expand production and export capacity in traditional extractive

measures – including pipelines (Tengiz-Black Sea, Atasu-Alashankou, Kenkiyak-Kumkol, Atyrau-Samara) and oil terminals (part of the Trans-Caspian system).

Industrial development and innovation have been the subject of several plans since the turn of the century, including the Development Strategy until 2010, the Strategy of industrial and innovation development for 2003-2015, the Programme for the formation and development of the national innovation system of the Republic of Kazakhstan for 2005-2015. The State Programme was itself followed by numerous plans aimed at supporting its implementation in the various areas under its coverage:

- 9 industry-specific programmes over the period 2010-2014 addressing most of the priority sectors;
- 4 thematic programmes over the period 2010-2014 (to attract investment, develop special economic zones and promote exports; for the development of innovation and the promotion of technological modernisation; for the development of Kazakhstan's content; for technical regulation and the development of quality infrastructure);
- the Interdisciplinary plan of scientific and technological development of the country until 2020; and
- the Productivity 2020 Programme.

Naturally, the Ministry's Strategic Plan for 2011-2015 is largely determined by its responsibilities and objectives under the State Programme, as shown by the "vision" providing its basis:

- an effective national innovation system that secures the development and production of competitive high-tech products;
- a system of technical regulations based on the relevant international standards, consistently enforced across the country;
- favourable investment climate conducive to attracting domestic and foreign capital;
- economic development secured by renewable sources of energy; and
- rational and integrated use of mineral resources.

The document conforms to the government's prescriptions for the strategic plans of its ministries. It defines high-level objectives, detailed targets and performance indicators and measures, allocates responsibilities and relates these to specific budget programmes. It includes short sections on co-operation issues and the management of risks to the completion of the strategic objectives.

The bulk of the Plan's budget is absorbed by transfers to the Ministry's subordinate organisations and to local governments. Five of the largest programmes consist of transfers to regions and the Republican cities of Astana and Almaty targeted towards the development of thermal power systems and industrial infrastructures, capital transfers and loans to the holding Samruk Kazyna for the construction of power systems, railways and other infrastructure and the purchase of trains, and capital transfers to the holding Baiterek in order to finance the Development Bank of Kazakhstan. Together, the budget of these five programmes over the 2011-2015 period represents 77% of the Plan's total budget and about 40 times the Ministry's operational budget (see Table E.1).

Table E.1. **Largest budgetary programmes in the Strategic Plan of MINT for the years 2011-15**

Nr	Description	Budget in KZT bn					
		2011	2012	2013	2014	2015	Total
048	Transfer to local government budgets for thermal power systems	85.3	87.6	73.8	60.6	46.2	353.5
050	Increase in the capital of Samruk Kazyna	144.9					144.9
040	Geological exploration and survey	2.9	7.3	8.0	17.0	18.2	53.4
074	Increase in the capital of Baiterek			30.4	20.3		50.7
051	Loan to Samruk Kazyna	46.6					46.6
015	Transfer to local government budgets for industrial infrastructures	6.6	1.0	5.5	14.1	2.4	29.6
026	Innovation grants	7.5	3.5	1.3	0.7	7.0	20.0
001	Operations of the Ministry	2.4	4.2	3.5	3.5	3.8	17.4
006	Applied technological research	2.5	2.5	5.1	3.1	1.6	14.8
	Total of the programmes	298.7	106.1	127.6	119.3	79.2	730.9
	Total budget expenditure in the Plan	316.8	115.1	145.1	110.5	102.5	790.0

Source: Ministry of Industry and New Technologies, www.mint.gov.kz/readmore.php?id-307 (accessed 5 May 2014).

The relative importance of the budget programmes included in the Plan seem to indicate discrepancies between some of its higher-level goals, such as energy efficiency, and the resources that are actually allocated to the relevant actions.

The predominance of transfers to local authorities and subordinate organisations also emphasises the importance of control mechanisms. To play its central role in the implementation of its Strategic Plan – and more broadly of the government's industrial strategy – the Ministry has to have the actual ability to evaluate the use of public resources by the public bodies that it finances and to enforce the necessary corrective actions.

Finally, the range of policy areas covered by the Ministry's strategy and the number of strategic documents that it has to elaborate, put into effect, update and report on, all shed light on the critical importance of its capacity to analyse, design, evaluate and monitor policy measures.

Policy making and policy implementation

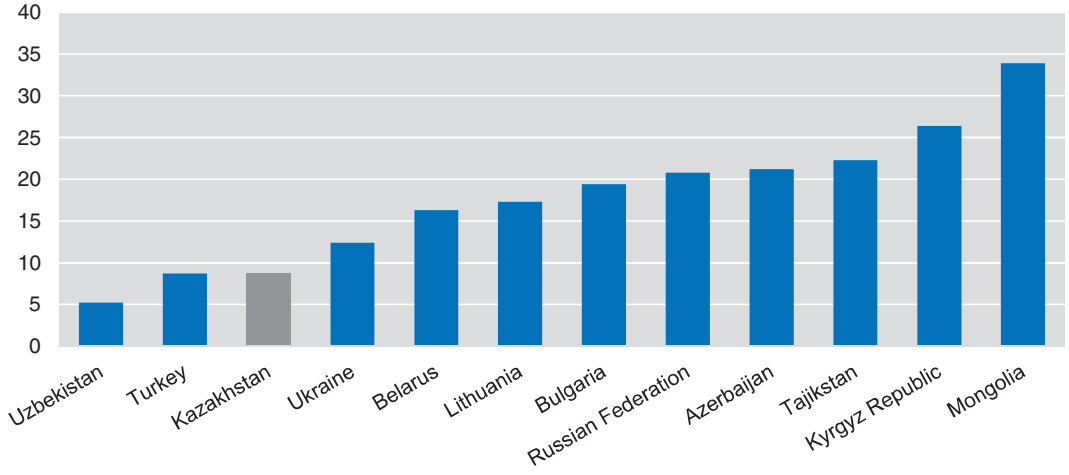
The Ministry's policy making in recent years has been largely conditioned by the international financial crisis in 2008 and its repercussions in Kazakhstan. Several banks were seriously affected by the crisis, which generated both a systemic risk for the entire financial sector and the risk of a credit crunch for the economy. In 2009, almost one company out of three perceived financial constraints as a serious impediment to its growth (see Figure E.1).

Immediately after its creation in 2008, the State holding Samruk-Kazyna was allocated slightly more than KZT 1 trn by the National Fund in order to offset the consequences of the worldwide recession and the drop in oil prices on Kazakhstan's economy. The stimulus package was equivalent to 9.5% of the GDP; 45% of it was used to support the financial sector, 33% the real estate market, 11% SMEs, 11% innovative

industrial and infrastructure projects.[6] In particular, Samruk Kazyna brought USD 3.5 bn to four banks by taking stakes in their capital.[7]

Even though the banking sector has been stabilised since, the capacity of private companies – in particular small and medium-sized enterprises – to get access to finance remains an important issue.

Figure E.1. **Share of firms perceiving finance as a "severe" or "major" constraint to their growth**



Note: Russian Federation (2012), all other countries 2013.

Source: World Bank Group Enterprise Surveys, www.enterprisesurveys.org.

Innovation policy is another area strongly emphasised by the Ministry in recent years. The government established a particular legal framework for the support of innovation with the adoption of the 2006 law "On State support of innovation" and, more recently, of the 2012 law "On State support of industrial innovation", as well as 15 related laws and 35 regulations within the State Programme 2010-14.

Six per cent of the Ministry's budget in 2011 was allocated to innovation, and additional resources were invested indirectly through Samruk Kazyna and other organisations. Despite significant resources spent on innovation and new technologies,[8] however, Kazakhstan still ranks below some comparable countries in terms of innovation according to the World Bank's Innovation System (see Figure E.2).

Figure E.2. **World Bank's Innovation System ranking**

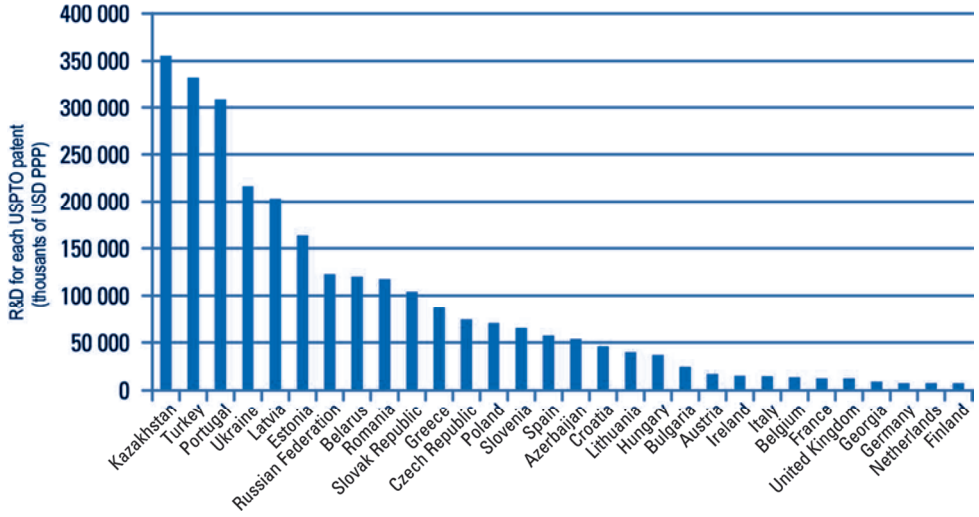


Note: The Innovation System is the simple average of total royalty payment and receipts, patent applications granted by the US Patent and Trademark Office, and scientific and journal articles (see http://info.worldbank.org/etools/kam2/KAM_page5.asp).

Source: World Bank Innovation System, 2012.

In a study published by the World Bank in 2011, Kazakhstan was, out of a group of 30 European and Central Asian countries, the country that had the highest level of R&D expenditure per patent (see Figure E.3).

Figure E.3. **R&D expenditures per patent registered by the US Patent and Trademark Office**



Source: World Bank (2011), "Igniting Innovation: Rethinking the Role of Government in Emerging Europe and Central Asia", The World Bank, Washington D.C.

When it comes to technology and innovation, Kazakhstan's economy shows a form of dualism that is also observed in Russia and other post-Soviet countries: on one hand, a pool of scientific and technological nodes of excellence, and on the other a vast majority of firms with stagnant technology and low productivity.[9]

It needs to be emphasised that rather than an activity carried out by specific institutions that the government can create and direct, innovation is the result of more diffuse forces that the government can mainly empower and influence. After the collapse of the Soviet Union, most R&D institutes were converted to government-owned organisations funded by the ministries.[10]

In Kazakhstan, it appears that co-operation between these institutes, universities and academic research centres, and the private sector is relatively low. As a consequence, access to technology and linkages between research, development and final market usage seem inadequate. In addition, further progress is needed in terms of availability of scientists and engineers, for which Kazakhstan was at the 106th rank in the world in 2012 according to the World Economic Forum.

Many of the Ministry's policy interventions entail a degree of co-ordination – and often co-operation – with other ministries. These relations appear to be based on a clear division of responsibilities and to bear fruit when they take place within the framework of a cross-ministry strategy.

Transport is a case in point. While the lack of transportation networks is one of this vast country's main structural weaknesses, considerable progress has been made in recent years, notably in the context of international projects such as the Western Europe-Western China Transit Corridor. The project, for which Kazakhstan receives financial support from four international organisations (the World Bank, the European Bank for Reconstruction and Development, the Islamic Development Bank and the Asian Development Bank) involves notably the Ministry of Transport and Communications and several of its subordinate bodies, the Ministry of Industry and New Technologies and Samruk Kazyna, as well as several oblasts (regional governments). Several planning documents integrate the project and allocate responsibilities for its implementation among public entities, in particular the Programme for the development of transport infrastructure in the Republic of Kazakhstan for the years 2010-2014, the State Programme of accelerated industrial development of Kazakhstan for the years 2010-14, and the State program of development and integration of transport infrastructure system of the Republic of Kazakhstan until 2020.

In other cases, however, co-operation is not as effective as it should be. Inadequate connections between the industry and academia also affect the latter, as vocational education and training (VET) and higher education do not always manage to produce the scientific and technical profiles that are most needed on the labour market.[11] It therefore appears that the Ministry of Industry and New Technologies – as the central player in industrial policy – has not been able to provide appropriate guidance to the Ministry of Education and Science and tertiary education institutions regarding the content and orientation of their curricula.

The area of environmental protection and ecological development also comes to mind. The government's strategic objectives for the improvement of environmental conditions notwithstanding, pollution problems have remained important in recent years, notably around oil and mineral extraction sites.[12] Progress in terms of energy efficiency, renewables sources of energy and "green" technologies objectives has not been as tangible as expected. On all these issues, there is a need for enhanced co-operation between the Ministry of Environmental Protection, the Ministry of Industry and New Technologies, and their respective subordinate bodies, towards the achievement of shared objectives.

As stated earlier, the Ministry's Strategic Plan includes detailed objectives, actions, targets indicators, legal sources of the action, responsibilities for implementation, deadlines, outcomes and yearly funding. The evaluation of the effectiveness of implementation of the Plan is regulated by procedures defined by the Ministry of Economic Development and Trade. These are mostly based on quantitative assessment, with the "Analytical report on the evaluation of the public body" and the Key Performance Indicators (KPIs) as the main deliverables.

However, most of the Ministry's KPIs address processes or outputs (e.g. number of patents or innovation grants, degree of completion of a project) – and seldom outcomes which ultimately matter from the standpoint of public welfare (e.g. reducing unemployment, improving competitiveness). The MINT should seek to better integrate the outcome of its actions in its KPIs or, as a first step, complement KPIs with qualitative assessments of societal consequences.

More broadly, modern regulatory tools (such as regulatory impact assessment, risk-based or evidence-based regulation) appear to be missing in the Ministry's policy-making toolbox. New projects and regulations should be accompanied with empirical evaluations of their consequences and consideration of alternative courses of action. The use of these evaluation tools, however, requires specific competencies and substantial efforts in data collection and methodological development – all of which need to be built up through time.

Structure, organisation and capacity

The Ministry has 13 departments and six committees with a Ministry Office, four Vice-Ministers, and an Executive Secretary.

Among the 13 departments:

- Six departments are support-oriented: financial affairs, legal affairs, asset management, international relations, state secrets protection, and administration.
- Six departments are dedicated to specific policy areas: Strategic planning, Electricity and coal industry, Local content development, New technologies and energy efficiency, Subsoil and mineral resources, and Nuclear energy and industry.
- In addition, there are separate offices for internal control, the development of public services, information management, and public procurement.

The six Committees have the following responsibilities (see next section for a description of the Ministry's subordinate bodies):

- The Committee for investment is the government body in charge of co-ordinating the management of special economic zones, informing the government's investment policy and supervising the National export and investment agency Kaznex Invest.
- The Committee for industry supervises the National centre for complex processing of minerals, the Republican State Enterprise Zhezkazganremet, the Scientific centre of anti-infection drugs, the National centre for technological forecasting and the Research institute Micrographics.

- The Committee for technical regulation and metrology has offices in all regions of Kazakhstan and supervises the Kazakh Institute for standardisation and certification KazInSt, the Kazakh Institute of metrology, the National centre for accreditation and the Coordinator CTRM.
- The Committee of State energy supervision has offices in all regions and supervises the Joint Stock Company Kazakhznergozkspertiza.
- The Committee for nuclear energy supervises the Nuclear technologies park, the National nuclear centre, the Institute of geophysical research, and the Institute of nuclear physics.
- The Committee for geology and minerals supervises the National exploration company Kazgeologiya, the National centre for geological information Kazgyeoinform, the Information and analytical centre of geology and mineral resources, and the Specialised gravimetric company.
- The Committee for Tourism supports the development of tourism in Kazakhstan.

The Ministry of Industry and New Technologies has a total of 920 employees, out of which 198 work at central level. In the departments in charge of policy design and monitoring, staff numbers vary between 10 and 25.

The Department of strategic planning, for instance, has 23 full-time employees – a level of resources which is clearly not proportionate to the Department's responsibilities. Given the number of Strategic Programmes and Plans that fall under the Department's remit, it is very likely that a large share of the working time of its employees is absorbed by administrative monitoring and reporting tasks, at the expense of information collection, data analysis, research and policy evaluation.

The weight of routine monitoring and reporting tasks and the additional workload created by frequent changes in strategic documents (and the accumulation thereof) limit the Ministry's ability to reform its processes and to define priorities among its programmes–admittedly, the formal process of effectiveness assessments does provide for such a capacity, but with limitations as discussed in Chapter 5. The Ministry's staff does not seem to be involved in identifying efficiency problems and/or differentiating tasks according to their criticality for the Ministry's objectives.

The structures and organisation of the Ministry indicate some avenues for improving efficiency. For example, 10 full-time positions are absorbed by the logistics of document transfers (signing, sending, checking etc.) – in particular because all documents have to be in hard copy and in two languages – while the office in charge of IT has only three employees.

Some duplication seems to exist between the Ministry's central services, its subordinate bodies and other government entities. For example, the Ministry's Committee for Investments, KanexInvest, Samruk-Kazyna Invest and the Chamber of Commerce seem to have partly redundant functions with regard to the promotion of investments (see Box E.1).

Interviews with the Ministry's staff indicate that 11-hour working days are rather common, that civil servants stay on average about three years at the Ministry and that very few of them have more than five years of experience in the Ministry. The personnel's turnover is high (27% per year). The average age at the Ministry is 34 years.

The Ministry's Human Resources Office seems burdened by administrate tasks and does not have the capacity to develop individual career plans. For example, no specific recruitment process for managers takes place at the ministry and there is no central responsibility for workforce planning. The promotion process could be better formalised and made more transparent.[13]

All civil servants have to take a training course (up to 3 weeks) at the Academy of Civil Service every three years. At the moment, it appears that these courses are rather formal. Altogether incentives to regularly improve qualification for civil servants remain low. In the recent Global Competitiveness Report, Kazakhstan's extent of staff training has a fairly low ranking (69th in the world). There is certainly a room for improvement in the area of staff training at the Ministry.

Box E.1. **KazNex Invest and the Investor Service Centres**

The national export and investment agency KazNex Invest was founded in 2010 to help diversify Kazakhstan's economy and to attract foreign investment to priority sectors. KazNex Invest provides free-of-charge services to facilitate FDI in the country and support the internationalisation of local businesses.

The agency is headquartered in Astana, has a second office in Almaty and four representative offices abroad in Russia, China, Turkey and Germany. Kaznex Invest is supervised by the Committee for Investment of MINT.

KazNex acts as a "one-stop shop" for foreign investors providing customised facilitation services such as information packages, contacts with national and local administrations, support in the administrative procedures associated with opening and doing business in Kazakhstan.

Investor service centres were established in each region of Kazakhstan the end of 2012, in order to provide support services to foreign investors. The ISCs are not subordinate bodies of the Ministry, but rather local level entities that are co-ordinated by KazNex Invest. Their functions are to assist investors in collecting relevant data and information on the regions; helping them to select and visit potential sites for the investment; obtaining necessary documentation to complete the investment; and solving specific problems associated with building, renting or buying the premises, hiring employees, etc.

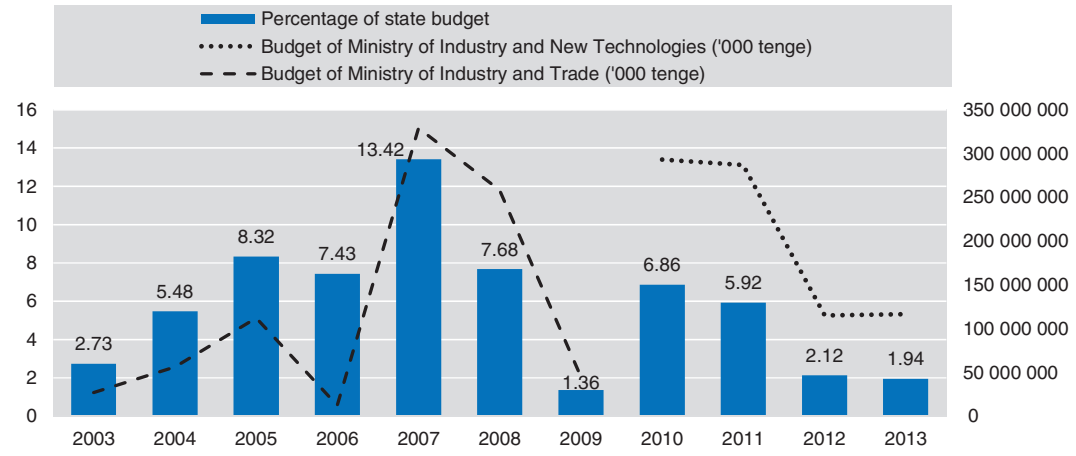
Budget and oversight

Because of the importance of one-off transfers and the modifications in its portfolio of competencies, the Ministry's budget has been extremely volatile in the past decade, in absolute terms as well as in proportion to the government's total budget (see Figure E.4).

In all likelihood, such instability poses a serious challenge to planning and strategy implementation and to the allocation of resources and efforts.

Budget execution is reviewed every year by the internal control office through an evaluation of the Ministry's budget management performance. The Ministry's budget planning is detailed and specific but appears to be rather expenditure oriented. However, various types of government resources (extra-budgetary funds, quasi-fiscal activities) have been successfully consolidated into budget documentation.

Figure E.4. **Budget of the Ministry of Industry, 2003-2013**



Source: Republic budget for the various years.

It should be noted that the perceived wastefulness of government by the general public spending is relatively low in Kazakhstan according to some surveys. For example, the Global Competitiveness Report 2011-2012 ranks Kazakhstan top 50 in the world in this area (leading several OECD countries including the UK, France, or the USA).

Nonetheless, the efficiency of the allocated funds could be improved. According to the IMF's 2011 Public Investment Management Index, the quality of public investment in Kazakhstan remains relatively low. As stated earlier, the Ministry of Industry and New Technologies has the possibility to use better analysis and evaluation tools to improve the quality and efficiency of funds allocated to various projects. In addition, operating and maintenance costs should be fully taken into account in the budgeting of investment projects. At present, partial (or sometimes altogether absence of) accounting for operating and maintenance costs often leads to dramatic underestimates of the projects' overall costs and distorts cost-benefit analyses.

It would also be useful to introduce and implement a quality management system, with a specific focus on clear definition of responsibilities and on delegation of work.

The Ministry is also responsible for the oversight of its 24 subordinate organisations – joint stock companies (JSC), State institutions (SI), State-owned companies (SOC) and limited liability partnerships (LLP).

The oversight of these entities – some of which have fairly large turnover and/or activities of a highly technical nature) poses specific challenges to the Ministry given its limited resources.

The relations between the Ministry and the National Welfare Fund Samruk Kazyna are of a different nature. Samruk Kazyna was created in 2008 out of the merger of the State holding company Samruk and the sustainable development fund Kazyna, both established two years earlier. Samruk Kazyna is a quasi-state company that manages government-owned assets, controls shares of national companies and financial development institutions. It has 29 subsidiary companies, including Kazmunaigas (energy), Kazatomprom (uranium production), Air Astana (airline), as well as the national Railways and Post corporation. All in all, it owns about 600 companies, with a total staff of 260 000 and assets estimated at 57% of the country's GDP in 2010.

Yet Samruk Kazyna does not have the status of a subordinate body. It is governed by a Board of directors chaired by the Prime Minister; despite its financial links with Samruk Kazyna, the Ministry of Industry and New Technologies is not represented in the Board.

The relations between the Ministry and Samruk Kazyna are not transparent and, given their magnitude, affect the transparency of the Ministry's budgetary procedure and the effectiveness of its reporting and control mechanisms. It seems therefore critical to clarify the division of responsibilities, channels of co-operation and financial transfer mechanisms between the Ministry and Samruk Kazyna. The OECD Guidelines for Corporate Management of State-Owned Enterprises could provide a useful tool in this regard.

The adoption of appropriate corporate governance practices is also an essential element in fostering a culture of ethics within enterprises.[14] The OECD 2009 Anti-Bribery Recommendation requires in particular that ministries encourage enterprises to develop and adopt adequate internal controls.[15] The Ministry of Industry and New Technologies should help the private sector develop and adopt adequate internal controls, ethics and compliance programmes for preventing and detecting bribery. These internal controls could include a system of financial and accounting procedures reasonably designed to ensure the maintenance of fair and accurate accounts. Strengthened international co-operation for combating corruption could improve the situation over time.

Kazakhstan has recently made important steps in this direction, notably by ratifying the UN Convention Against Corruption[16] and by complying with the requirements of the Extractive Industry Transparency Initiative (EITI).[17]

Summary assessment and recommendations

The Ministry of Industry and New Technologies is the central body in charge of industrial policy, a key component of the government's long-term development strategy. The scope of its interventions covers a large part of the economy and it has important responsibilities in the co-ordination of government services, State-owned corporations and the private sector. The Ministry is currently responsible for the implementation of the State Programme of accelerated industrial development for the years 2010-14, which aims to enhance diversification in an economy that has been mainly driven by mining activities in recent decades.

However, the most prominent lines of expenditure in the Programme's budget – as in the Ministry's strategic plan – consist of transfers to local government and public companies to finance investments in extractive industries. In comparison, some of the high-level objectives of the government in terms of economic diversification, such as the development of renewable sources of energy and green growth, do not seem to be backed by adequate budgetary resources and strong co-ordination mechanisms between the various government actors.

The Key Performance Indicators included in the Ministry's strategic plans often relate to policy processes and outputs rather than outcomes, thus reinforcing the general lack of evaluation of the broad economic, social and environmental consequences of policy. As in other ministries, routine tasks of elaboration, operation, updating and reporting of the planning documents seem to leave the staff little time for in-depth policy analysis and monitoring.

The staff seems generally over-burdened, but there appear to be cases of redundancy and inefficiency in the activity of certain services, particularly when subordinate organisations are taken into account.

The sharing of responsibilities between the Ministry and State-owned corporations is sometimes unclear, and their financial relations are not always transparent. The Ministry does not seem to have the tools and authority to fully control the use of public money by local authorities and public companies.

In order to address these weaknesses, the government could consider the following corrective actions:

1. The Ministry should devote more resources to the analysis and evaluation of the consequences of policy measures. In time, most KPIs should be based on outcomes and the use of impact assessment tools should be mandatory for any regulatory or investment decision.
2. Departments should have more autonomy in analysing policy issues and proposing new initiatives; they should be involved more actively in the choice of strategic objectives and priorities.
3. The division of responsibilities, the channels of co-operation and the financial transfer mechanisms between the Ministry and State-owned corporations, in particular Samruk Kazyna, should be clarified.
4. When the Ministry transfers public resources to another entity, it should have the ability and the obligation to audit the use made of these resources.
5. Opportunities to modernise and rationalise the structures and organisation of the Ministry should be identified and addressed.
6. HR policy should be more active in considering the specific needs of the Ministry and of its personnel.

Notes

1. The assessments presented in the Annexes E, F, G and H followed the same methodology for each of the ministries. They were based on several rounds of interviews with officials of the ministries and some of their subordinate organisations, the ministries' responses to a questionnaire, as well as publicly available information (in particular through the government portal for official documents: http://adilet.zan.kz). The analysis is then organised according to the following structure: an opening section describes the general context and orientation of the government's policy in the ministry's areas of activity; five analytical sections describe and assess the ministry's missions and functions as defined by the law, its medium- and long-term strategy within the government's overall planning framework, its policy-making tools and procedures, its internal organisation and finally its budget and oversight responsibilities; a final section summarises the argument and provides recommendations for reform aimed at improving the ministry's effectiveness and efficiency. The assessments were conducted by the OECD Secretariat in 2013, and are based on information provided by the government of Kazakhstan by the end of July 2014. They do not, in particular, account for the effects of the organisational changes announced by the President of the Republic on 6 August 2014, which affected among others two of the reviewed ministries: the Ministry of Industry and New Technologies, whose competencies have been transferred to the new Ministry of Investment and Asset Development, and the Ministry of Environment and Water Resources, which has been integrated to the new Ministry of Energy. Although some of the ministry-based findings and recommendations of the review may certainly be affected in light of the changes in ministerial portfolios, the review team believes that the substantive elements remain relevant after the change.
2. World Bank Economic Indicators, 2012.
3. See IMF (2013), *Republic of Kazakhstan – Selected Issues*, Country Report 13/291. Washington D.C., International Monetary Fund.
4. Resolution of the Government of the Republic of Kazakhstan No. 1237, dated November 26, 2004, on "Some Issues of the Ministry of Industry and New Technologies of the Republic of Kazakhstan", amended by Resolution of the Government of the Republic of Kazakhstan No. 186, dated 26 February 2013.
5. i.e. consumer goods.
6. IMF (2009), Republic of Kazakhstan: 2009 Article IV Consultation, Country Report 09/300. Washington D.C., International Monetary Fund.
7. OECD (2012), OECD Investment Policy Reviews: Kazakhstan 2012. Paris, OECD Publishing.
8. See Law No. 207, dated June 10, 2014, on the innovation cluster "Park of innovative technologies".

9. OECD (2011), *OECD Reviews of Innovation Policy: Russian Federation 2011*. Paris, OECD Publishing.

10. World Bank (2011), *Igniting Innovation: Rethinking the Role of Government in Emerging Europe and Central Asia*. Washington D.C., The World Bank.

11. See also the assessment of the functions of the Ministry of Education and Science (Annex G).

12. See also the assessment of the functions of the Ministry of Environmental Protection (Annex H).

13. See also the assessment of Human Resource Management in Kazakhstan presented in 2012 OECD Performanc Incentives and Management Systems of Kazakhstan.

14. The Good Practice Guidance on Specific Articles of the Convention in Annex I of the 2009 Anti-Bribery Recommendation states that the Anti-Bribery Convention could be implemented in such a way that it does not provide a defence or exception where the foreign public official solicits a bribe. Furthermore, the UNCAC requires the criminalisation of bribe solicitation by domestic public officials.

15. The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention) entered into force on 15 February 1999. The Anti-Bribery Convention, along with the 2009 Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions (the 2009 Anti-Bribery Recommendation), the 2009 Recommendation on Tax Measures for Further Combating Bribery of Foreign Public Officials in international Business Transactions, and the 2006 Recommendation on Bribery and Officially Supported Export Credits, are the core OECD instruments which target the offering side of the bribery transaction.

16. The United Nations Convention against Corruption (UNCAC) sets out a broad range of standards, measures and rules to fight corruption, www.unodc.org/unodc/en/treaties/CAC/.

17. http://eiti.org/.

Annex F

Assessment of the functions and organisation of the Ministry of Agriculture

Introduction

Kazakhstan is a major agricultural country, but one in which agriculture is still experiencing considerable structural change. The sector underwent a deep crisis during the 1990s, as its output went down from more than one third of the Gross Domestic Product in 1990 to just 10% in 1999. Even though production bottomed up at the turn of the century and has regularly increased since, it has been outpaced by the rest of the economy, and represented only 5.2% of the GDP in 2011.

Kazakhstan's agricultural sector is the aggregate of three quite distinct segments. First, there are slightly more than 6 000 agricultural enterprises, mainly located in the north and north-east of the country and specialised in grain (primarily wheat) and oilseed crops. These are fairly large production units, with an average size of about 8 000 ha, often belonging to vertically-integrated holdings such as KazExportAstyk, Atameken-Agro and Alibi. Second, there are more than 180 000 individual farms with an average size of 270 ha, born from the land and ownership reforms of the late 1990s. Many of these farms are situated in the south and south-east of the country and specialise in cotton, rice and sugar beet. Third, there are more than 2 million household farms with an average size just above 0.1 ha, owning 75% of the livestock and producing almost 45% of the agricultural output. These self-employed small farmers represent the bulk of the sector's workforce (72.5%) – as well as the poorest segment of the population.

Naturally, economic contexts and future outlooks are quite disparate for these three segments. Grain crops are considered to hold major promises in terms of economic diversification and exports for the country, which entered a customs union with Belarus and Russia in 2010 and is involved in advanced negotiations over WTO accession. Grain crops cover two thirds of the country's arable land (26 million hectares in 2012) and absorbe two-thirds of all capital investment in agriculture.[1] Wheat and wheat flour alone have consistently represented three-fourths of agricultural exports and in 2011-12, Kazakhstan was the sixth largest wheat exporter in the world.

To further develop crop production, the country would need first and foremost to increase yields, which are still modest compared to the larger grain-producing countries. However, it is severely constrainted by its environment: a harsh climate with volatile rainfall, land degradation due to salinisation and wind erosion, and soil depletion, among others, limitate its future prospects. The average humus content of soils has decreased by 21 to 25% since 1989 in the three grain-producing oblasts of Akmola, North Kazakhstan and Kostanay.

The use of water for agriculture purposes was halved in the course of the 1990s, and remained at low levels in recent years mostly due to the decline in some of the water-intensive cultures of the Southern oblasts. Cotton output, for instance, has largely receded in the past decade as a consequence of a fall in both cultivated areas and yields. Still, water resources are expected to become an increasingly pressing challenge in the coming years, making the improvement of the deficient irrigation system[2] an economic as well as an ecological imperative.

The financial health of large and medium-sized producers is an additional matter of concern after the credit-based phase of modernisation of the second half of the 2000s. The problem of over-indebtedness of many enterprises and farms became evident in 2009 with the rise in the share of bad loans in the portfolios of KazAgro credit agencies (which hold 60% of total agricultural credit) as well as commercial banks. Although the situation has somewhat improved, it remains fragile to this day.[3]

The third segment, finally, is still largely informal and dominated by traditional agricultural practices. Most large livestock farms did not survive the crisis of the 1990s, and only a few operate today. Although the production of milk and eggs has almost recovered its pre-crisis levels, meat production still remains significantly lower. Equipment is outdated and there is hardly any access to meat and dairy product markets in most of the countryside because of the lack of integration of food chains, the near-absence of cold supply chains and inadequate means of transportation. Information and education, the development of transport infrastructure and the organisation of food safety are critical conditions to the growth of this segment.

As a consequence of supply weaknesses in many segments of the market (outside of crops), imports have surged in recent years with the rise in the standards of living, and Kazakhstan has become a net importer of agroo-food products.

As the central public authority in charge of agricultural and food policy, the Ministry of Agriculture is therefore faced with a broad range of challenges and opportunities, many of which seem critical for the future of a country where 43% of the population lives in rural areas and almost one quarter of the workforce still works in agriculture.[4]

Mission and functions

A government Resolution adopted in March 2013 describes the mission of the Ministry of Agriculture as "the creation of a competitive agricultural sector through the effective elaboration and implementation of State policy".[5] The Ministry itself relates this mission to six outcome objectives:[6]

- to increase crop yields and the quality of agronomic products;
- to increase yields and the quality of production in animal husbandry and fishing;
- to ensure sustainable development and support processing enterprises;
- to achieve high quality and safety standards for agricultural products;
- to attract investments into the agro-industrial complex, and
- to establish an effective system for creating, implementing and distributing competitive R&D in order to accelerate the scientific and technological development of the "agro-industrial complex".

The Ministry's scope of activity was considerably wider until the end of 2012, since it encompassed, in addition to the support to the development of the agro-food sector, the management of water and other natural resources, as well as rural development. For instance, the Ministry's Strategic plan for 2011-15 contained the following mission statement in its original version:[7]

> *"the formation and implementation of the State's agrarian policy in the development of agriculture, water, forestry, hunting and fisheries, rural development and agrarian science in order to promote economic growth and achieve a new level of competitiveness of the sectors of agriculture".*

After its revision in 2013,[8] the Strategic plan describes the Ministry's mandate as:

> *"the creation of a competitive agricultural sector through effective policy development and implementation".*

The change results in part from the transfer of all functions related to the protection and regulation of natural resources to the Ministry of Environment and Water Resources, which was already in charge of this portfolio until 2002.[9] These activities represented a substantial part of the Ministry's portfolio – its budgetary resources, in particular, have been reduced by almost 34% in 2013 compared to 2012.

Responsibility for rural development, which covers socio-economic aspects such as access to health, education and public utilities in rural communities, seems to be taken over by the newly-created Ministry of Regional Development, although such a transfer does not seem to be formally enacted and it is unclear whether all of the Ministry's activities in this area are being maintained.[10]

Another area no longer mentioned among the core missions of the Ministry is the security of food supply. The Ministry's initial Strategic plan for 2011-15 included, as its first objective, "ensuring the food security of the country on the basis of stable growth of agricultural production", with indicators such as the decrease in the share of imports for certain categories of goods. However,t the revised version of the plan makes no reference to objectives and programmes related to food security beyond 2013.[11]

Yet the government Resolution of 13 March 2013 still mentions food security in its listing of the main functions of the Ministry:

1. to form agrarian policy, strategic plans, state and other programmes and projects in regulated areas;
2. to lay the groundwork for the creation of competitive agricultural commodity production, for food security and the mobilisation readiness of the Republic of Kazakhstan;
3. to provide information and advice to agribusinesses;
4. to implement inter-sectoral co-ordination and governance in regulated areas;
5. to implement methodological guidance to other state bodies within their competence; and
6. other tasks assigned to the Ministry of Agriculture of the Republic of Kazakhstan, within its competence."

The Ministry's official scope of activity has therefore considerably changed in 2013 and, at least for the external observer, there is a degree of ambiguity regarding its responsibilities in some policy areas. As we will see later in this assessment, the changes in the Ministry's formal missions are the result of a reorientation of the government's strategic approach towards the agricultural sector, which has placed a strong focus on the development of a competitive agro-food supply. In the past also, the key missions of the Ministry of Agriculture have often fluctuated in function of the plans and programmes in which it has been involved. The fact that the Ministry's missions are considered contingent to the government's strategy can have two types of adverse consequences - without any prejudice with regard to the strategy itself.

First, it perpetuates the practice of frequent changes in government portfolios and machinery, which has significant costs.

In addition to the direct cost of transfering resources and competencies from one part of the goverment to the other, re-organisation measures such as the one experienced by the Ministry in 2013 (and beforehand in 2002) create a need for new co-ordination and co-operation mechanisms inside the government. In the present case, the Ministry of Agriculture has to develop ways to work with the Ministry of Environment e.g. on issues pertaining to water management in and upstream of cultivated areas, and with the Ministry of Regional Development e.g. on support and development policies in favour of rural communities. There is an initial cost in developing the information exchange and co-operation procedures, and a risk in not achieving the appropriate degree of co-ordination. As explained in Chapter 5, the current state of practice in many OECD countries is to trigger such machinery changes only when there are solid reasons to believe that their benefits in terms of policy effectiveness or efficiency will offset their costs. There is no evidence that such considerations have been taken into account in the case at hand.

Second, there is a risk that the Ministry's staff and management become uncertain about their missions beyond and outside of the ongoing planning exercise and, as a consequence, overlook certain aspects of importance for the long-term development of agriculture.

From the beginning of the 2000s, when agriculture was considered a priority sector,[12] the government gradually integrated new dimensions in its agricultural policy through a succession of strategic documents – a broadening that was reflected in the Ministry's mandate. It is possible that by way of consequence, the Ministry became dependent on higher-level decisions and the planning mechanism to identify and address issues. For instance, the functional review conducted by the National analytical centre showed that the Ministry did not adequately address the overseeing and regulation of the food processing industry because of a deficit of expertise and a lack of attention to the issue in its strategic plans. In most OECD countries, the Ministry of Agriculture has such areas in the scope of its normal missions and does not need a plan to orient its action.

In 2013, the government's orientation changed with the adoption of the sectoral programme "Agribusiness 2020", which bring the focus back on four problem areas and leaves a number of others aside. There is a risk that some of the latter, for instance social and environmental conditions, disappear from the Ministry's agenda, even when its action is still required to monitor the situation of agriculture and farmers or to co-ordinate with other ministries.

As described in the introduction, the agricultural sector in Kazakhstan is typified by the existence of sectors with widely different levels of productivity and structural issues. For the sake of consistency and efficiency, the mandate given to the Ministry of Agriculture needs to address such diversity in an integrated manner, with a clear idea of long-term priorities and trade-offs – but not subject to the government's strategic objectives at a single point in time.

Strategy

After the early years of post-communist transition, the government's strategy with regard to agriculture gradually took shape at the end of the 1990s and beginning of 2000s. Its core principles were – and have remained to this day – to:

- identify a number of priority cultures for each region of Kazakhstan, which would correspond to its natural competitive advantages;
- on this basis, encourage the constitution of production clusters which would form, notably by way of horizontal and vertical integration, an "agro-industrial complex"; and
- enhance productivity and competitiveness in each cluster, in order to increase exports and limitate the country's reliance on agro-food imports.

The Agriculture and food programme for the years 2003-05 introduced a range of policy instruments to serve the government's development strategy, from financing (preferential credits, equipment leasing) and input subsidies (fuel, fertilisers) to market interventions (State purchases through the Food Contract Corporation).

With the 2005 Agricultural law, the government expanded the scope of its agricultural policy to socio-economic development in rural communities. The Programme for the Rural Development of the Republic of Kazakhstan for the years 2004-10 included measures to improve access to health and education services and public utilities (roads, water, gas, electricity and postal services) in rural communities, based on considerations of equity among regions. Its budget, however, was limited, at less than KZT 1 bn over seven years.

The Concept of sustainable development of agriculture in the Republic of Kazakhstan for the years 2006-10 integrated the management of natural resources (water, fisheries, forests and wildlife) in the government's agricultural strategy and took further steps to elaborate support mechanisms for priority sectors. The government's Action Plan to implement the concept contained a package of measures to organise and reinforce production clusters at regional level, enhance productivity (financial support for new equipment, subsidies for quality and efficiency improvements, research), develop public services for agriculture (safety and quality control, market institutions, financial and information services) and intervene on commodity markets (State purchases, stabilisation funds). The allocated budget was very susbstantial, at slightly more than 1% of the GDP every year. With the creation of KazAgro (see Box F.1), the government also gave itself an instrument to reach out to private enterprises and farms and compensate for the perceived lack of financing of the sector by commercial banks and foreign investors.

The Action Plan was in fact revised in 2006[13] and, following the Presidential address "Strategy of development of Kazakhstan 2030", substituted in 2008 by a new set of measures for the years 2009-11.[14] Although its budget was reduced, the main policy directions were maintained. However, in the context of worldwide recession and large

fluctuations in world agricultural markets, the government adopted a more interventionist policy stance by launching additional public investment projects (in production and processing facilities) and incresing control measures (price controls, local stabilistation funds, trade tariff and non-tariff measures).

Finally, with the launch of the customs union and the progress in WTO accession negotiations, agricultural policy adopted the additional dimension of export promotion with the Development Program of Agro-Industrial Complex for 2010-14, with substantial investments in grain export infrastructure and storage capacity.

The Ministry of Agriculture's current medium-term strategy is laid down in the Programme for the development of the agro-industrial complex 2013-2020 ("Agribusiness 2020"). The programme was developed by the Ministry and adopted by the government in 2013 in response to the President's declaration "Strategy Kazakhstan 2050", which cited the modernisation of agriculture as one of nine key economic policy directions to be followed in Kazakhstan in the coming years and called for the implementation of the following policies:

- a new development programme for the agricultural sector until 2020;
- a 4.5 fold increase in state support for agriculture by 2020;
- the improvement of legal and economic incentives for creating medium and large agricultural enterprises, in particular in direction of new agro technologies; and
- an increase in the taxation of idle lands beyond a certain period after they've been leased by the State.[15]

The Agribusiness 2020 programme focuses on four areas in which substantial improvements of policy outcomes are deemed necessary:

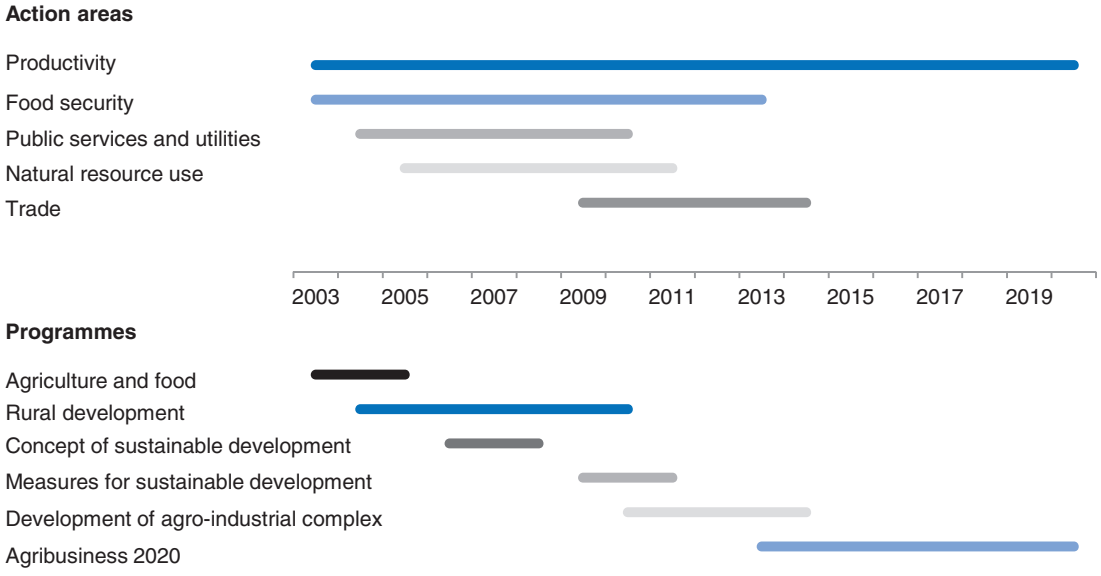
1. Short-term support to the financial situation of farmers and agricultural businesses: KZT 300 bn (equivalent to the estimated amount of bad loans) are made available for debt restructuring and refinancing of agricultural businesses; an additional KZT 23 bn is provided for interest rate subsidies on new credit.
2. Adjustments in existing support measures: direct and input subsidies for the production of fruits and vegetables and for horticulture, the use of fertilisers and herbicides, purchase of improved seeds, production of livestock, aquaculture, food processing; further development of technical advice, certification and insurance; increased grain storage capacity; water use subsidies; reorientation of the financial services provided by KazAgro subsidiaries from direct lending to the (preferential) financing of credit institutions; provision of loan guarantees and insurance; relaxation of elligibility conditions for investment subsidies; enhancement of publicly-financed R&D in the fields relevant to agriculture.
3. Strengthening of supervisory functions: reorganisation and enhancement of phytosanitary safety services; reinforcement of veterinary controls and disease prevention programs.
4. Improvement of public services: launch of an extensive soil survey campaign; elaboration of an information system for precision agriculture; improvement of the equipment of the Commission in charge of testing crop varieties; development of egov services; adaptation of technical regulations to the customs union; adoption of a preventive, risk-based approach to regulatory compliance.

The programme's total allocated budget over 2013-20 is KZT 3 122 bn; it represents about 1% of GDP in 2013 and 1.3% in 2014 – in other words, a substantial increase compared to previous levels.

The programme seems to open a new phase in the government's strategy towards agriculture. For a decade, successive plans had integrated one area of action after the other into its scope (see Figure F.1): food security, the development of public services and utilities in rural communities, use of natural resources and sustainable development, export enhancement and trade, and productivity and competitiveness. The resources allocated to agricultural policy, although substantial, were scattered among these areas. By contrast, the four focal points of Agribusiness 2020 all belong to the last area of action. The programme does not set any quantitative objective or plan any significant intervention related to self-sufficiency, rural development or the use of natural resources. The budget of agricultural policy is therefore expected to become much more targeted than in the past.

As discussed in detail in Chapter 5, one of the potential weaknesses of the planning system in Kazakhstan, as it has operated in the past fifteen years, in its all-encompassing nature, which can eventually inhibit the ministries' policy-making capacity. From this standpoint, Agribusiness 2020 represents a positive step towards more selective and focused plans – provided, as we discussed in the previous section, that the ministry's understanding of its missions and capacity to monitor other developments of the sector and co-ordinate with other ministries do not undergo a similar contraction. The fact that all activities related to environmental monitoring appear to be discontinued from 2013 onwards in the Ministry's revised strategic plan shows that such a risk exists and needs to be addressed.

Figure F.1. **Evolutions in the mandate of the Ministry of Agriculture since 2003**



Box F.1. **KazAgro**

KazAgro was created in 2006, when seven public agencies providing services to agricultural businesses and farmers – in particular loans, financial leasing and marketing support –were transformed into State corporations and brought together under a public holding. KazAgro's total assets were valued at USD 2.5 bn in 2011.

KazAgro is financed by the government, through the budget of the Ministry of Agriculture, and raises additional funds on national and international markets. In May 2013, it issued eurobonds denominated in a foreign currency (USD) for the first time. The hodling's annual surplus, which exceeded KZT 1 bn in 2013, is partly invested and partly paid as dividend to the government.

KazAgro has seven affiliate companies, three of which (FCC, ACC and KAF) constitute 90% of its assets:

1. The Food Contract Corporation Food (FCC) operates on grain markets both as a State purchase agency responsible for price stabilisation and the management of public grain reserves and as a trading company; FCC also finances producers through short-term loans for sowing and harvesting and forward purchase of crops;
2. The Agrarian Credit Corporation (ACC) is a financial institution providing concessional credit to agricultural businesses and farms; ACC also supports a network of rural credit cooperatives (SKTs);
3. KazAgroFinance (KAF) offers machinery and equipment leasing and cattle leasing services to agricultural businesses and also finances some investment projects.
4. KazAgroProduct (KAP) is the State purchase agency intervening on the livestock markets;
5. The Fund for Financial Support of Agriculture (FFSA) federates a network of rural micro-credit and insurance organisations and provides concessional credit in specific niches (greenhouses, meat production, etc.);
6. KazAgroGarant (KAG) provides guarantees on a non-commercial basis to reduce the risks of grain and cotton receipt holders; and
7. KazAgroMarketing (KAM)'s activity consists of a range of services relating to the market infrastructure for agricultural products: information resources, marketing and consulting services, etc.

KazAgro's credit portfolio represents more than half of all loans provided to the agricultural sector in Kazakhstan. The company's strategic objectives, according to its strategic plan, are fourfold: stimulating the growth of labour productivity in agriculture; ensuring food security; promoting agricultural exports; improving corporate governance and transparency.

Source: Government of Kazakhstan

Policy design and implementation

Policy making in the Ministry of Agriculture, as in the rest of the government, is strongly rooted in the planning system and submitted to the principle of separation between policy design and implementation. In practice, it is organised in a cycle with four main phases:[16]

- On the basis of higher-level planning documents (Strategy Kazakhstan 2050, Agribusiness 2020 programme), the department for Strategic Planning and Corporate Development prepares the Ministry's strategic plan and budget. Any policy development must be integrated in both documents. Based on the strategic plan, the other departments prepare the operational plan of the Ministry, define policies and prepare analysis in their area of competence. The State holdings KazAgro and KazAgroInnovations design their own operational plans.
- The Ministry's subordinate organisations (in particular its committees and the KazAgro and KazAgroInnovations holdings) are in charge of implementation, control and supervision of policy measures in their respective areas.
- The department for Strategic Planning and Corporate Development monitors and analyses results and audits processes to assess the implementation of policies by committees. It conducts an annual review of operational results by KazAgro and KazAgroInnovations.
- The department then elaborates a management review that provides feedback on the implementation of the strategic plan and identifies areas where adjustments to the plan could be needed.

The Ministry has developed an array of policy instruments throughout recent years:

- State purchases are used to stabilise markets and support producer prices; they are operated by KazAgro's affiliates FCC (for grains) and KAP (for livestock products), on the basis of intervention prices and quantities determined by the Ministry.
- Direct payments are provided to livestock producers on the basis of output units and to crop producers on the basis of cultivated surface. In both cases, payments are differentiated in order to provide incentives for the adoption of better technologies (drip irrigation, reduced tillage, livestock feeding systems).
- Input price subsidies exist for seeds and young plants, pedigree livestock purchases, fertilisers, pesticides, fuel and water use.
- KazAgro distributes, through its affiliate companies, a range of concessional credits and financial and marketing services (as described in Box F.1).
- The Ministry also directly provides preferential loans for the financing of investment projects. Its subordinate organsiation KazAgroInnovation conducts research and development in all sectors of agriculture that are relevant for Kazakhstan.
- The services provided directly by the Ministry, finally, consist of veterinary and phytosanitary regulation and control. The Ministry provides 45 services, mainly of certification, licensing and inspections, to farmers and agricultural businesses. It should be noted that KazAgro and its affiliate companies can, in certain cases, propose services of a similar nature. KazAgrex, for instance, issues certificates for cotton producers.

The government's agricultural policy has varied considerably in recent years. In terms of public expenditures in the agricultural sector, government support has increased and its main channels and beneficiairies have changed.

In 2011, the government devoted KZT 283 billion to the development of agriculture, compared to about KZT 75 billion in 2007 (see Table F.1). One fourth of this expenditure consisted in subsidies (KZT 69 billion, compared to KZT 22 billion in 2007), which went principally to crop production (KZT 30 billion, compared to KZT 15 billion in 2007) and to the development of livestock (KZT 26 billion, compared to KZT 5 billion in 2007), and one third of investment projects (see Table F.1). The strong development of subsidies, partly reoriented towards the livestock sector, signaled a strategic reorientation of the government's policy compared to the previous period, where the focus was on improving access to finance (preferential credits, machinery leasing). The volume of loans to the sector, which went up from KZT 7 billion to KZT 62 billion between 2003 and 2007, has remained stable since.

Table F.1. **Public expenditures in the agricultural sector in Kazakhstan, 2007-2011**

Type of support	% of total
Subsidies	28
Credits	20
Investments and investment projects	30
Facilities for crop, livestock and processing	20
R & D and consulting	2

Source: Programme for the development of agriculture in the Republic of Kazakhstan in the years 2013-20 ("Agribusiness 2020").

The picture, however, is different once other elements of policy – such as taxes and the effect of public interventions on prices – are taken into account. Total producer support, as estimated by the OECD, reached KZT 243 billion in 2011 and represented 10.6% of the value of production.[17] The level of support widely fluctuated during the previous years, principally under the influence of market interventions. All in all, it is limited by international standards, at least in aggregate terms – it is, for instance, about half of the average estimate for OECD countries. However, the relatively low level of aggregate support masks a disparate treatment of the various sectors of production: on the whole, crops, which are largely exported, are taxed, in some cases heavily (rice, maize); while livestock production, which is insufficient to match local consumption, is strongly supported.

General evaluations of this type do not seem to be commonplace. In fact, the evidence basis of policy making is fairly limited, despite the wealth of statistics used in the preparation and monitoring of the strategic and operational plans. Detailed information on agricultural output by crop and by region, numbers of employees or types of facilities is available, but data on the socio-economic conditions of businesses and farmers or on soil and water conditions are more scarce. Strategic goals and indicators are usually relative to outputs (subsidy volumes, number of inspections, number of pedigree livestocks acquired) rather than outcomes (impact on productivity, prices, quantity and quality of production).[18] Policy measures do not seem to undergo a detailed impact assessment *ex ante* – nor *ex post*.

The Ministry has three consultative bodies. The most important of these, the Business Council, brings together representatives of the Ministry, its subordinate bodies, other public entities and several farmers' associations and agro-industrial companies. Since 2012, the Business Council has constituted regional units, as well as working groups for all major crops and types livestock. The mission of the groups is to review draft laws and

regulations, to monitor their implementation and to make recommendations to the Ministry. The Expert Council of Entrepreneurship also allows various stakeholders, including business associations, to review and express opinions on draft legislation. The Public Council for the Effective Delivery of Public Services, finally, focuses on the availability and quality of veterinary and phytosanitary services provided by the Ministry. It is not yet possible to assess the exact scope and conditions of the work of the councils, their capacity to fulfil their missions and their actual contribution to the Ministry's decisions.

Structure, organisation and capacity

The Ministry of Agriculture is organised in 12 departments, 4 agencies and 2 committees. It has a staff of 320 employees at central level and is headed by a minister, two vice-ministers and an executive secretary. A functional review conducted by the National analytical centre in 2011 identified no less than 25 different laws defining close to 600 functions for the Ministry, falling under the four categories defined in the law: strategic functions related to policy formulation (including analysis, monitoring, forecasting and planning of policy); regulatory functions (drafting of laws, guidelines, etc.); implementation functions (certification, permits); and control and supervisory functions (inspections).

Four of the Ministry's departments have support functions (finance, audit, human resources and legal support). The others are in charge of policy development in a particular area, and typically consist of several agencies. The four stand-alone agencies have similar functions but report directly to a vice-minister. The committees are in charge of policy implementation and control, chiefly via their regional units located throughout the country.

The ministry has 448 subordinate organisations:

- 15 state-owned enterprises fulfilling technical functions (laboratories, reference centres, anti-epizootic squads, etc.).
- four joint-stock companies: Kazagreks, HRP Astana cous, KazAgro and KazAgroInnovation.[19]
- the limited liability company Directorate for maintenance of buildings and transport.
- 428 local inspection and control services of its committees.

The implementation of the laws on service delivery and on public services is the responsibility of the Department for development of public services and information technology, which was formed following the adoption of the 2012 law on public services. To be mentioned: services provided by KazAgro's affiliate companies are not concerned by the law, even when they consist of certification and control activities.

Based on its functional review and on a complementary analysis of its business processes, the Ministry reformed its internal management procedures in 2012. It introduced a quality management system certified according to the standard RK ISO 9001-2009 "Quality Management Syste"", and was audited for the first time in 2013. The Ministry also developed a new approach to the management of its activities and resources, based on business processes (policy formulation, policy implementation,

support) rather than on traditional functional categories. At the time of this review, the mapping of detailed functions into one or more business processes was still ongoing.

Law making was the exclusive competence of departments until 2012, when the responsibility for drafting some subordinate regulations was transfered to the committees in order to connect more closely to their technical expertise. This organisational change tends to indicate that interaction and co-operation between departments and committees is less than adequate. It was reported to the review team that closer co-operation and exchange of information between departments and committees would be desirable, but that was impossible due to resource constraints. While the transfer of some policy-making responsibilities to committees helps to turn around this problem, it doesn't eliminate it: the committees' knowledge of local conditions and technicalities is needed when designing strategic policy orientations and assessing the outcomes of policy measures, and the departments' understanding of the larger situation can help committees better evaluate the costs and benefits of detailed regulations and deliver better services to their users.

The Ministry of Agriculture had 6 011 employees as of September 2011, 25% less than in 2008.[20]

- Staff at central level consisted of 416 people, 235 of them in departments and 181 in the central units of the committees.
- Staff in regions consists of 5 595 people.
- Among department employees, 2% are top management, 73% are staff working directly on services provided by the Ministry and 25% are the administrative and monitoring staff.
- Staff in regions relates to regional units of central committees of the Ministry. Staff numbers vary between 150 and 597 civil servants by region. There is an average of 20 offices per region and 18 civil servants per office.

The ministry runs a regular opinion survey among its employees and appears to have a dynamic human resource policy. Human resource management appears as one of its priorities in its "Tree of goals", with the following sub-objectives: to increase staffing levels; to ensure that the Ministry has enough skilled workers; to reduce staff turnover; to increase the number of employees with experience in regions and at central level; to enhance training; to reduce corruption; to raise the satisfaction level of public servants working in the Ministry; and to ameliorate other areas of human resource management.

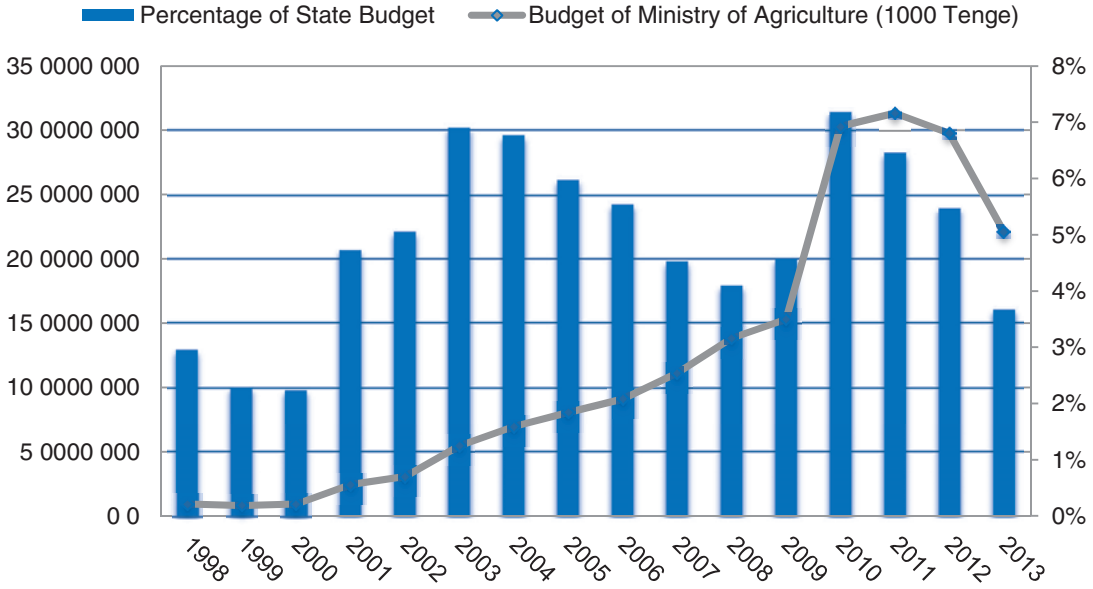
According to the Ministry's Human Resources department, the relatively high rate of staff turnover is related to low salaries; especially compared to the private sector, the lack of training and career development plan, and long working hours. The Human Resources department perceives that the positive aspects of its policy are its high number of open positions, the diversity of the workforce and gender equality.

However, the lack of experience of the staff and the Ministry's difficulties in retaining its personnel might also hamper its capacity to develop the necessary expertise in policy making. Such weaknesses would be particularly detrimental to the effectiveness and efficiency of agricultural policy at a time when it is experiencing important shifts in terms of methods, tools and orientation.

Budget and oversight

The Ministry's budget has declined since 2010 (see Figure F.2), in part – but in part only – because of the change in its portfolio of activities in 2012.

Figure F.2. **Budget of the Ministry of Agriculture, 1998-2013**



The Ministry's budget comprised 118 registered programmes in 2011. Among these, four programmes related to the financing of KazAgro and to water supply – and therefore outside of the normal operations of the Ministry nowadays – represented almost half of total spending (see Table F.2). From 2007 to 2011, KZT 332 bn were allocated to Kazagro through the Ministry's budget.[21]

Table F.2. **Main budgetary programmes in Kazakhstan, 2011**

Role in the strategic plan	Beneficiary	Description	Amount in KZT mio
Strategic direction 1	KazAgro	Credit for JSC National Holding KazAgro for the support of agro-industrial complex	78 000
Strategic direction 1	KazAgro	Increase in authorised capital of JSC "National Holding" KazAgro	50 900
Strategic direction 2	Water supply	Construction and reconstruction of water supply, waterworks	35 689
Strategic direction 2	Water supply	Target current transfers to regional budgets and Astana and Almaty to develop water supply system	29 594
Functional capabilities	Civil Servants	Formation and implementation of State policy in the development of agriculture, water, forest, wildlife and fisheries, rural and agricultural science	9 863

Source: Strategic Plan of the Ministry of Agriculture of the Republic of Kazakhstan for 2011-15.

The Ministry also transfers a significant amount of its budget to the regional branches of its committees, which administer, implement and control programmes. Regions then report to the Ministry on the implementation of their programmes.

The department of Finance reviews the budget on several occasions during the year. The internal control department budget makes an annual evaluation of budget management performance, reviewing and commenting each budget programme with a completion status, synthetic analysis and key figures.

The 2010 report identified several improvement areas in terms of processes, including:

- Ensure that budget is 100% met compared to revised budget and, even more important, compare final completion of the budget with initial budget and ensure that matching is above 90%.
- Enhance the co-ordination of Ministry's regional and local activities on budget compliance, control and discipline.
- Strengthen internal control.
- Anticipate and closely monitor activities to prevent financial violations.
- Strengthen measures to deliver implementation in a timely and cost-effective manner.
- Increase the responsibilities, capabilities and incentives of the Ministry's leaders and units for planning and execution.

The ministry is responsible for approving the reports of its subordinate organisations and auditing their operations. Its department of internal audit uses a risk-based approach to select and control about 50 subordinate bodies each year. The case of KazAgro can help illustrate the challenges of this supervisory function.

The management of KazAgro is placed under the authority of a board of directors chaired by the vice-prime minister and having the ministers of Agriculture and Finance and a representative of the Ministry of National Economy as members. The board of directors appoints the chairman of the company.

The company develops a 10-year strategic plan for itself and its subordinate organisations, and updates it on a regular basis. The plan is endorsed by a government decree and approved by the board of directors. This provides the opportunity to verify and ensure that the company's plan is in line with the strategic directions and objectives of the Ministry of Agriculture.

To implement its strategic plan, the company elaborates a 5-year development plan and produces an intermediary report on its state of advancement every year. This report is officially submitted to the Committee on state assets of the Ministry of Finance and addressed for information to the Ministry of Agriculture.

The joint-stock companies operating under KazAgro tend to engage in commercial operations while they are financed on public funds. Within their functions, there is no clear distinction between public service missions and commercial activities. FCC, for instance, intervenes on grain markets as the State purchase agency to amortise price fluctuations and support producer prices, and manages public grain storage and transport facilities. At the same time, however, it is involved in for-profit trading and can use private funds to finance grain exports. The companies have a tendency to expand their

activities well beyond their normal sphere of operations: KazAgroFinance, a leasing company, has become the largest provider of credit for publicly funded investment projets, an area where FCC, the agency regulating the grain markets, has also developed its business.

Furthermore, joint stock companies like KazAgro, even though they are subordinated to a ministry (or, in some cases, several ministries), are only mandated to report their use of public funds to the latter. Since they also have other sources of funding, this means that part of their detailed budget appropriations are not disclosed to the ministry which, by way of consequence, is not in a position to relate specific budget allocations to the company's output and outcomes. Under the existing reporting rules, the Ministry of Agriculture does not seem to be in a position to precisely control and evaluate the results of Kazagro's publicly-funded projects.

Summary assessment and recommendations

Agricultural policy in Kazakhstan has considerably changed in recent years in terms of both instruments and orientations. The government's direct support to the agricultural sector has increased, particularly to the benefit of livestock producers. With the gradual opening of the sector to international trade, the modernisation of crop export facilities and infrastructures has also been high on the government's agenda. By contrast, rural development and natural resource management have been excluded from the scope of agricultural policy. These changes have directly impacted the legal framework that governs the activities of the Ministry of Agriculture, resulting in frequent changes in its functions, missions and strategic documents.

While putting these changes into effect, the new sectoral programme Agribusiness 2020 also represents an innovative approach to planning in Kazakhstan – one where the focus is placed on a limited number of long-term priorities. This is a positive development – Chapter 5 advocates for such a selective approach to planning throughout the government system - provided that the Ministry's services maintain a broader understanding of their missions and of the need to co-ordinate with other ministries and public entities.

The capacity of the Ministry to gradually broaden and strengthen the evidence basis of its policies deserves to be improved. At present, information about the socio-economic and environmental outcomes of agricultural policy is not adequately integrated in the policy-making process; policy measures do not undergo rigorous *ex ante* or *ex post* evaluation.

As in many other parts of the government, the separation between departments and committees, although sound as a principle, seems to leave a gap in terms of co-ordination between policy design and implementation. The changes in the relative responsibilities of the departments and committees with regard to the drafting of subordinate regulations seem to be a symptom of this gap rather than an effective response.

A lower turnover of the personnel and a more dynamic human resource development policy would also be instrumental to developing the Ministry's policy-making capacity.

Finally, the Ministry of Agriculture does not seem to be in a position to control and evaluate the results of some of its subordinate organisations – particularly the Kazagro holding company, which tends to engage in commercial operations while financed on public funds.

In order to address these weaknesses, the government could consider the following corrective actions:

1. Define a stable mandate for the Ministry of Agriculture that would address the diversity of Kazakhstan's agricultural sector and its structural issues irrespective of the government's strategic objectives at a single point in time.
2. Increase the autonomy and resources of the Ministry's departments in analysing policy issues and taking policy initiatives within the broader mandate of the Ministry.
3. Mandate the Ministry to collect and produce better information on the economic, social and environmental outcomes of agricultural policy in the form of *ex ante* and *ex post* impact assessments.
4. Develop communication and co-operation channels between the Ministry's departments and committees.
5. Increase the resources devoted to HR policy.
6. Impose stronger reporting obligations on the Ministry's subordinate organisations and gradually introduce a clear separation between their public-service and commercial activities.

Notes

1. OECD (2013), *OECD review of agricultural policies: Kazakhstan*, Paris, OECD Publishing, www.oecd-ilibrary.org/agriculture-and-food/oecd-review-of-agricultural-policies-kazakhstan-2013_9789264191761-en.
2. Thirty to 50% of the water used for irrigation is estimated to be lost before it reaches the crops, in particular due to inadequate maintenance. See UNCCD (2006), *Central Asian Countries Initiative for Land Management – National Programming Framework for the Republic of Kazakhstan,* United Nations Convention to Combat Desertification.
3. On 1st January 2012, the amount of bad loans to agricultural producers in the balance sheets of commercial banks and KazAgro subsidiaries was officially estimated at KWT 300 bn, equivalent to half of total credit to the sector and 1% of the GDP.
4. Agriculture represents the equivalent of 2.2 million full-time jobs according to a definition of agricultural employment introduced in 1999-2000. The share of agriculture in total employment decreased by almost 10 percentage points between 2001 and 2011.
5. Resolution of the Government of the Republic of Kazakhstan No. 237 of 13 March 2013. All quotes are non-official translations from Russian or Kazakh.

6. Ministry of Agriculture (n.d.), "Tree of goals". The document also includes a number of process-oriented objectives.

7. Resolution of the Government of the Republic of Kazakhstan No. 158 of 19 February 2011.

8. Resolution of the Government of the Republic of Kazakhstan No. 784 of 5 August 2013.

9. See the review of the functions and organisation of the Ministry of Environment and Water Resources in this chapter.

10. The Ministry of Agriculture was the public body responsible for the implementation of the State Programme for Rural Development of the Republic of Kazakhstan for the years 2004-10.

11. A new concept of food security appears to be under development by the government, with increased focus on issues of economic and physical accessibility and co-ordination between government bodies. The implementation of the concept would be transferred to the Ministry of National Economy.

12. The "agro-food complex" has been considered a priority area for economic diversification since the early 2000s, notably in the Innovative Industrial Development Strategy of the Republic of Kazakhstan for 2003-15.

13. Resolution of the Government of the Republic of Kazakhstan No. 149, dated 6 March 2006, on "approval of the priority measures for 2006-08 to implement the concept of sustainable development of agriculture of the Republic of Kazakhstan in 2006-10".

14. Resolution of the Government of the Republic of Kazakhstan No. 1106, dated 28 November 2008, on "approval of the set of measures for sustainable development of agriculture of the Republic of Kazakhstan for the years 2009-11".

15. Agricultural land is essentially leased from the State and under-utilised, a pattern that can be linked to the land tax and rental regime. See Petrick, M., J. Wandel and K. Karsten (2011), "Farm restructuring and agricultural recovery in Kazakhstan's grain region: An update", *IAMO Discussion Paper No. 137*, Leibniz Institute of Agricultural Development in Cetrnal and Eastern Europe.

16. Ministry of Agriculture (n.d.), "Proposed landscape map" (n.d.).

17. OECD (2013), *OECD Review of Agricultural Policies: Kazakhstan 2013*, OECD Publishing, Paris, www.oecd-ilibrary.org/agriculture-and-food/oecd-review-of-agricultural-policies-kazakhstan-2013_9789264191761-en.

18. The Ministry reported to the review team that output indicators in the sectoral and strategic programmes have been derived from outcome indicators in higher-level planning documents, and used as a basis for results-based budgeting. However, the review team was not able to consult the corresponding analyses.

19. KazAgroInnovation is the subordinate body specialised in agricultural research, born in 2006 from the merger of several public research institutions. KazAgroInnovations operates in extension services, including training and technology. The Analytical Centre of Economic Policy in Agricultural Sector LLC (ACEPAS) is one of its affiliates.

20. Three of the Ministry's former committees, namely those in charge of water resources, fisheries, and forestry and hunting, were transfered to the Ministry of environmental protection in 2012.

21. In addition, KazAgro received a KZT 120 bn subsidised loan from the National Fund in 2009.

Annex G

Assessment of the functions and organisation of the Ministry of Education and Science

Introduction

Kazakhstan recognises a right to quality education to all its citizens,[1] and its government has engaged important efforts since the end of the 1990s to make this right effective, notably by extending the coverage of schooling throughout the country. According to the National Centre for Educational Statistics and Evaluation, primary and secondary education integrated 99.3% of children from 7 to 10 years old and 99.8% of children from 11 to 15 years old in 2005. The country also recorded significant results in international education studies, ranking first among 129 countries on the UNESCO Index of Education for all Development Index (IDE) in 2009 and seventh on in the Trends in International Mathematics and Science Study (TIMMS) in 2007.

Yet, a recent review of the secondary education system by the OECD considers that "much remains to be done to eliminate persisting inequities in access to good quality schooling" and that "policy interventions designed to address these issues benefit mostly those schools that have the mandate to nurture academic excellence".[2] The scores achieved by Kazakhstan's children in the 2009 OECD PISA study were significantly lower than the OECD average, and placed the country at the 50th rank out of 65 participating countries.

The impression, therefore, is that the country's encouraging achievements in terms of schooling coverage and constitution of an elite now need to be sustained by more ambitious education policy measures targeting a large share of the school-age population. The aforementioned OECD review makes a set of recommendations to develop such an approach for secondary education.

A similar appraisal can be made with regard to tertiary education and human capital development in general. The Kazakhstan's population's high literacy rate ranked first among 129 countries on the UNESCO Education for all Development Index (EDI) in 2006, and reached 99.7% in 2010. At the same time, however, human capital development is perceived to remain a challenge, especially given Kazakhstan's bold objectives in terms of its long-term growth trajectory. The country's higher education and training ranked only 65th out of 126 economies in the 2011-12 Global Competitiveness Report of the World Economic Forum (WEF). Business executives surveyed by the WEF identified an inadequately educated workforce as one of the country's most important barriers to doing business.

Kazakhstan's education system is in large part funded by the national budget, although the contribution of local governments and the private sector can be substantial for specific areas, such as vocational education. Total education expenditure represented

3.8% of the GDP in 2013, still somewhat lower than the OECD average, close to 5% of GDP. Spending on higher education, in particular, is low in Kazakhstan (0.4% of GDP in 2007) compared to OECD countries (1.3% of GDP on average).

The government of Kazakhstan seems to share this general diagnosis and to be keen on engaging the necessary actions. The country's Strategic Development Plan for 2020 presents human resource development as one of its key objectives and the opening statements of the State Programme for Education Development of the Republic of Kazakhstan for 2011-2020 clearly defines reform priorities: the methodology and guidelines for determining curricula in (primary and) secondary education are deemed "outdated"; the lack of professional standards and qualification requirements is seen as a major impediment to the constitution of a workforce "meet(ing) the demands of industry and employers"; "institutional forms of support for innovative structures performing scientific research and development activities" are considered non-existent.

As the executive body in charge of co-ordinating governmental and private actors in the fields of education and science, the Ministry of Education and Science has a key role in designing and conducting these reforms. This paper reviews five aspects of the institutional and operational setting that determines the Ministry's policy-making capacity: the functions and missions of the Ministry, as established in the law; the government's strategic framework in education and science; the Ministry's main tools and procedures for designing and implementing its policies; its internal organisation and resources; and finally its budget and oversight responsibilities. On the basis of this analysis, the paper concludes with a brief assessment of the organisation and policy-making capacity of the Ministry and a set of policy recommendations.

Missions and functions

The scope of activity of the Ministry of Education and Science covers education, science and youth policy. The Ministry's mission is to "develop the intellectual potential of the nation, form and implement state policy in the field of education and science, ensuring competitiveness and sustainable socio-economic growth".[3] The 2013 government decision amending the organisation of the Ministry further specifies this mission as:

1. forming a unified state policy in the field of education, scientific and technical activities;
2. forming a unified state policy in the sphere of state youth policy;
3. creating appropriate conditions for good education;
4. improving the organisation of scientific research and increasing its competitiveness; and
5. protecting the rights and legal interests of children.

The competencies of the Ministry of Education and Science have been broadly unchanged since 1999, when the Ministry of Education, Health and Sports and the Ministry of Science and Higher Education were merged, making it one of the most stable portfolios within the government of Kazakhstan. The Ministry has therefore been preserved from the frequent changes in the machinery of the government that have imposed restructuring costs on most other ministries.[4]

The case of the Ministry is, by way of contrast, illustrative of the degree of formalism applied in Kazakhstan in defining the slightest tasks of executive bodies through the law. The 2013 government decision provides a comprehensive list of the Ministry's 123 functions at central level and 77 functions at local level, including such detailed tasks as "Approval of the list of scientific publications recommended for publication of scientific results".

Strategy

The government's strategic document on education policy is the State Programme of Education Development of the Republic of Kazakhstan for 2011-2020, adopted by a Presidential decree in 2010. "Education 2020" is a sectoral programme developed with the support of the United Nations Educational, Scientific and Cultural Organization (UNESCO). In the government's elaborate system of planning and performance management, it has an intermediate position between the long-term visions ("Kazakhstan 2030" and "Kazakhstan 2050"), which encompass all of the government system, and the strategic plans specific to individual government entities. It concerns all actors involved in education – the Ministry of Education, naturally, but also, for instance, the Ministry of Transport and Communications, as well as Internet access providers, with regard to the development of e-learning – and provides the long-term framework for their strategic plans.

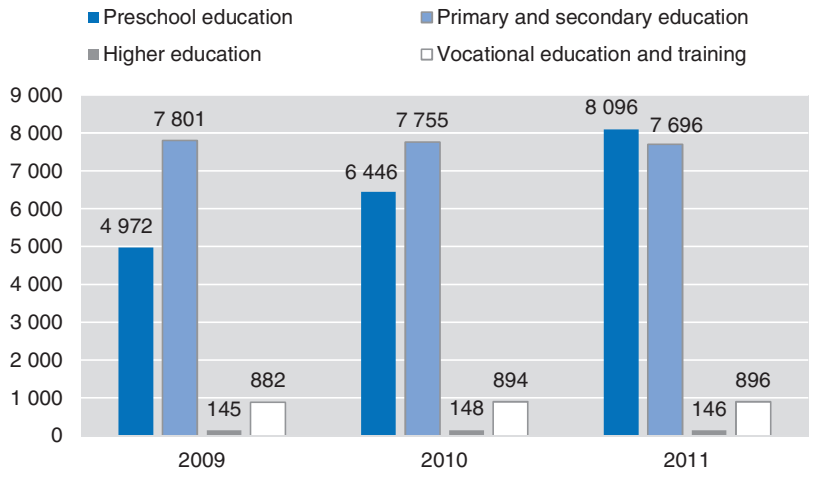
Long-term trends in educational policy

Education has always been declared a national priority in Kazakhstan and in the past decade, unlike the early years of transition, budgetary and structural reform decisions have actually been in line with this statement. The State Programme of Education Development for the years 2005-2010, the 2006 National Report on the Status and Development of Education,[5] the national programme "Balapan 2010-2014" and now Education 2020 are the main milestones of the government's strategy in the area of education and science.

Preschool education is probably the area that was most directly concerned, as the government's new policy of coverage expansion led to a dramatic increase in the number of education institutions. The national programme "Balapan 2010-2014" financed the construction of numerous childcare facilities, promoted public-private partnerships and opened the sector to private kindergartens. By contrast, the number of VET institutions grew modestly, the number of higher education institutions remained stable and the number of primary and secondary schools even receded during the period (see Figure G.1).

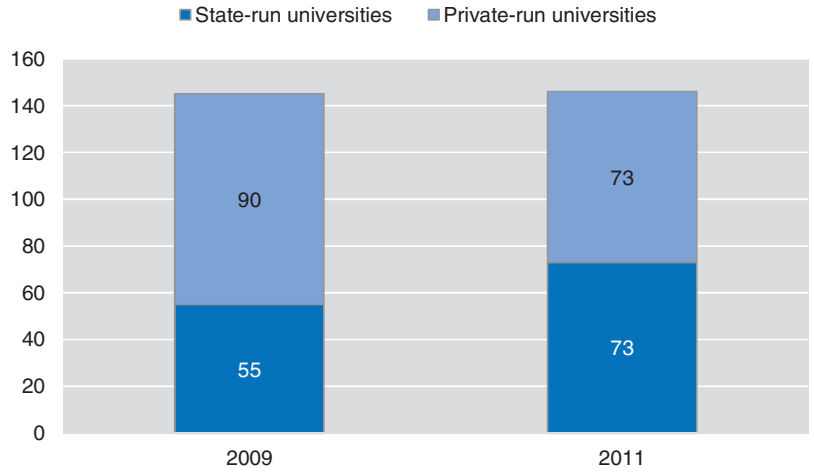
The overall stability in the number of higher education institutions is the result of a sharp decrease for private universities, compensated by the development of new public universities (see Figure G.2) – including the Nazarbayev University, inaugurated in 2010 with the aim to be "a prestigious world-class university" and financed jointly by private and public funds. The negative trend affecting private institutions appears to be the consequence of the withdrawal of licences of a number of lower-tier institutions by courts. The tightening in the control of higher education institutions follows a period where their number grew dramatically (up to 106 private universities in 2006), thanks in particular to the support of government policies.

Figure G.1. **Number of education institutions 2009-2011**



Source: Ministry of Education and Science, Agency of Statistics of the Republic of Kazakhstan

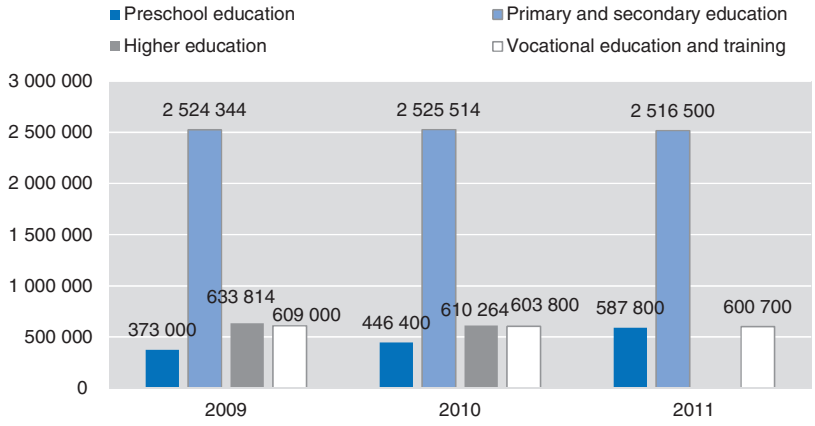
Figure G.2. **Number of higher education institutions**



Source: Ministry of Education and Science.

The number of pupils and students was broadly stable in primary and secondary schools and in VET in recent years, and slightly declining in higher education, while it increased by almost 60% in preschool education. In 2011, 182 500 students graduated from the VET system, and about 140 000 from Kazakhstan's universities (see Figure G.3).

Figure G.3. **Number of pupils and students by level of education, 2009-2011**



Source: Ministry of Education and Science.

The State Programme Education 2020

The State Programme Education 2020 confirms the government's strategic choice to support education expenditures and internationalise the education system by developing partnerships at all levels with foreign universities, governmental bodies and international organisations. The programme's stated objective, in terms of share of education expenditures in the GDP, is to reach the average level of OECD countries by the end of the decade. The Programme also aims to identify and integrate elements of international best practice.

The areas of action identified by the Programme cover the entire range of the Ministry's missions and functions:

1. Financial access to education
2. Status of teachers
3. Public education management
4. Educational resources and e-learning
5. Preschool programmes
6. Secondary education[6]
7. Vocational and Technical Education (VET)
8. Higher education
9. Lifelong learning
10. Civic education and youth policy

Regarding preschool education, the State Programme sets the goal of 100% enrolment of children in public and private kindergartens and mini-centres by 2020, compared to 41.6% in 2010.

In primary and secondary education, where the rates of coverage and literacy are already very high, the main objectives of the Programme are the transition from the 11-year to the 12-year model in 2015, the provision of free books and digital resources by 2015, and the renovation of school buildings and infrastructure.

On higher education, the State Programme identifies six areas of improvement: *i)* to revise the structure and content of higher and postgraduate education, *ii)* to align higher education standards on the European level, *iii)* to prepare the students in accordance with the needs of the labour market and the priorities defined by the State Programme on the industrial-innovative development of the country,[7] *iv)* to raise the status of teachers, *v)* to better evaluate the quality of education and *vi)* to improve the quality of institutions by introducing a new classification system of universities in line with the provisions of the law "On Education".[8]

The State programme aims to increase academic freedom – i.e. to give both the students more room to choose their courses and the universities more autonomy to determine the curricula and the opportunities for professional practice that they offer to students. The Programme's provisions in this area are inspired by the Bologna process principles, which the Ministry of Education implements – it has already introduced the three-tier Bachelor-Master-Doctorate cycle system.

The State programme also extends the government's effort aimed at developing the vocational education and training system and enhancing its attractiveness. It provides for the creation of the National Qualification Framework, which introduces an independent quality assessment and certification for professional skills and qualifications, and involves the employers' association in developing professional standards. Ministry's standards in secondary and higher education are to be integrated to ensure continuity and consistency between levels of education, and unified national testing is to be introduced.

Existing VET institutions include schools, colleges and higher technical schools. In addition, a high-profile training centre for the personnel of the oil and gas industry named the Atyrau Petroleum Education Centre Petrotechnic, set up with the support of the Southern Alberta Institute of Technology (Canada), started to operate in 2013. Three other inter-regional training and retraining centres are currently under construction:

- the Ekibastuz training centre for the fuel and energy sector;
- the Shymkent training centre for processing industries; and
- the Ust-Kamenogorsk training centre for the engineering and machinery industries.

In addition, two now VET colleges are under construction in Astana and Almaty, with the objective to provide world-class education and training. The Ministry, together with its subordinate body Kasipkor and other social and international partners, has already determined their areas of specialisation on the basis of regional needs assessments. These include engineering, construction, housing and communal services, energy, information and communication technology, design and tourism. Once operational, the colleges are expected to receive annually more than 2 000 students. They will be organised as a network managed by Kasipkor (see Box G.1 below).

The implementation of the State Programme

For each of these areas, goals, target indicators, and activities have been defined from 2011 to 2020. Two phases of implementation have been distinguished:

- During the years 2011-15, the focus is on elaborating new educational models at all levels. This includes the design of a management model in education institutions, a review of the education facilities and the institutions' network, and the updating of teacher training curricula. This phase, which builds on a number of pilot initiatives and events, is covered by a detailed action plan and has been allocated an overall funding of KZT 510 bn from the central government budget – additional funding of about KZT 73 bn is expected from local authorities.[9]
- 2016-2020 covers the implementation phase of the designed education models, including investments in infrastructure and equipment, and staff training.

The Action Plan to implement the State Programme in the years 2011-2015 has been prepared by the Ministry's Strategic planning department. It includes its own objectives, actions, target indicators, legal sources of action, parties responsible for implementation, deadlines, outcomes and yearly funding. The Ministry of Education and Science reports twice a year to the Ministry of Economic Development and Trade on progress in the implementation of the State Programme and the Action Plan.

In addition, the Ministry develops and implements its own strategic plan which addresses in particular its responsibilities and objectives within the State Programme.

The Ministry of Education and Science reports that it develops its strategy based on administrative data and reporting from the Ministry of Labour and Social Protection (MLSP) and from education institutions. In particular, key indicators on the future needs of the labour market are provided by the MLSP, based on forecasts of labour supply and demand and staffing requirements by industry, profession and region. Social partners and private sector organisations are not involved in the elaboration of educational objectives aimed at meeting the future needs of the labour market.

All in all, the State Programme Education 2020 formulates a clear strategy for the educational system in terms of investments and reforms, in line with the government's policies in the past decade. Its objectives and policy directions are clearly stated and consistent. The Ministry could, however, work at improving the evidential basis of its strategy and policy making, from the assessment of students' knowledge and skills to the participation and equality of access to the different levels of education and the performance of education institutions.

Policy design and implementation

Governance of education institutions

The Ministry of Education and Science delivers licenses to both public and private universities. Partly as a consequence of the implementation of the Bologna Process, universities are gradually granted extended autonomy in terms of academic orientations, management and financing.[10] The Ministry's compulsory standards address the content of curricula, educational paths for students, the creation and structure of educational programmes and test levels. They have been harmonised with the standards of the European Credit Transfer and Accumulation System (ECTS) User Guide, considered as a cornerstone of the Bologna process, and of the "Tuning Educational Structures in Europe" project. This has implied in particular that:

- The standards are being applied by all education institutions regardless of their structure and ownership.

- The freedom and flexibility for students in choosing their courses within education programmes has been increased to up to 55% at Bachelor level, up to 70% at Master level and up to 90% at Doctorate level. Higher Education institutions can shape educational programmes involving employers and foreign partner universities.
- Boards of Trustees have been created as the managing boards of universities, gathering representatives from the private sector, the university, business associations and trade unions. 64 Boards of Trustees have already been created. These boards are in charge of strategic planning, appointments, control of financial resources, formation of corporate culture and conflict management within the institution.
- Educational programmes have been developed in accordance with the Dublin Descriptors[11] and the European Qualifications Framework.

The Ministry plans to gradually introduce a system of a per-capita funding for university students. The average cost for an academic year at university reached KZT 635 800 in 2012-13, including the salaries of teachers, the Ministry of Education's and institutions' operating costs, and the cost of facilities and equipment. The Ministry also delivered about 36 000 grants in 2011, compared to 11 000 in 1999.

As already mentioned, the Ministry is also leading a policy of quantitative development and upgrading of the VET system, in particular by building a network of high-profile schools co-ordinated by its subordinate body Kasipkor (see Box G.1). Like higher education institutions, VET schools have to comply with the legal framework and educational standards defined by the Ministry, in particular with regard to their professional orientation, training programmes, curricula and teachers' salary scale. The vast majority of their teachers are part of the Ministry's staff, the remainder consisting of trainers or industry practitioners. Nearly 700 VET institutions were accredited in 2013 for a period of 3 years.

Box G.1. **Modernising the VET system**

The government created the joint stock company Kasipkor in 2011 to develop and co-ordinate a network of high-profile colleges in Astana, Almaty, Aktobe and Shymkent, manage the inter-regional training and retraining centres of Atyrau, Ust-Kamenogorsk, Shymkent and Ekibastuz, and support VET institutions across Kazakhstan. The network is expected to be fully developed and operational in 2021. Each of its member institutions will be managed by a board of trustees gathering representatives from Kasipkor, the private sector, local business associations and trade unions.

Kasipkor has been placed under the authority of the Ministry of Education and Science. Its strategy, objectives and activities of Kasipkor are defined and monitored by a Board of directors gathering representatives of various central executive bodies.

Kasipkor's development strategy focuses on the following key objectives and areas of activity:

- Build the infrastructure for training highly qualified specialists and a technical labour force;
- Enhance the prestige of VET;
- Update the content of VET curricula according to the needs of the economy;

Box G.1. **Modernising the VET system** (*cont.*)

- Monitor the careers of the graduates;
- Ensure that the interests of employers are taken into account in the programme of the newly-created colleges and inter-regional centres;
- Train and retrain the teaching staff;
- Monitor and evaluate the quality of teaching;
- Develop co-operation with the business community; and
- Dissemination positive experiences regarding the management of the educational process across the VET system.

VET institutions provide lifelong learning with a wide range of programmes and qualifications. In order to improve the matching between education and training services and the needs of the labour market, national and sectoral qualification frameworks have started to be elaborated (see below). Kasipkor is in charge of developing the quality management system and implementing best practices in VET. It intends to restructure the VET model curricula in three parts: general disciplines, vocational-technical disciplines and practical training. The RSMC national centre and its 16 regional centres are in charge of co-ordinating and monitoring curricula and qualification frameworks.

Kasipkor currently has about 70 employees. It has developed more than 30 new practice-oriented educational programs to date, and has provided training to more than 300 teachers.

In the area of science, the Ministry funds a series of scientific prises and finances innovation projects from research organisations. It has created 5 new national and 15 new engineering-type laboratories between 2007 and 2010, which contributed to the rise in the number of patents and pre-patents from 66 in 2007 to 138 in 2010. But research, development and innovation remain an area of relative weakness for Kazakhstan, with a level of funding (both public and private) well below the OECD average.

Quality control and co-ordination

Several executive bodies are involved in the monitoring and control of educational institutions. The Ministry of Education and Science heads several centres especially covering education quality, accreditation and certification, like the National Centre for Educational Statistics and Evaluation, the National Accreditation Centre, the Republican Scientific and Methodological Centre (RSMC) and the National Centre for Testing. The accreditation process is overseen by the National Register of Accrediting Bodies, and an independent National Accreditation is expected to replace government certification bodies by 2015.

The evaluation of policy measures is largely delegated to subordinate organisations. At the end of 2011, the National Centre for Educational Quality Assessment was renamed National Centre for Educational Statistics and Evaluation, and given the mandate to bring Kazakhstan's education statistics to the level of international standards (UNESCO, UNDP and OECD).

Several *ad hoc* government bodies are in charge of ensuring co-ordination between the executive services involved in the areas of education and science – including the Ministry.

In the area of scientific research for instance, the Prime Minister heads a Higher Scientific and Technical Commission (HSTC) that establishes the government's scientific and technological priorities and approves programme financing from all ministries. The HSTC is a collegial body that gathers representatives from ministries and government agencies, state-owned enterprises, private sector companies and scientific associations, as well as leading scientists and experts.

In the area of VET, the government has established the National Council for Vocational Training as an advisory body, in order to facilitate "the implementation of government policy in the development of labour resources and co-ordination, to ensure industries are provided with qualified personnel at the national level". The Council includes representatives from the government, the Parliament, the Senate, government institutions, employers' associations, educational institutions, trade unions and heads of regional councils (akims). It is chaired by the Prime Minister and supported by a Working Body from the Ministry of Education and Science.

The Council provides recommendations in fields such as standards, financing, planning, climate for investment, quality and participation of employers. It is complemented by 16 regional boards (one in each region of the country) chaired by the *akim*, and 14 sector-specific boards chaired by the relevant ministry. Regional and sectoral boards are expected to contribute to the analysis of labour market needs, definition of qualification standards with employers, upgrading of educational standards and development of training offers.

International co-operation

The Ministry of Education has an active policy of international co-operation based on bilateral agreements (including with the European Union) as well as projects backed by international organisations such as the World Bank and the OECD.

The World Bank has recently conducted a project on the "Modernization of technical and vocational education" aiming in particular at developing the Sectoral Qualifications Framework (SQF). An ongoing project conducted by the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and supported by the European Union has elaborated the SQF in Oil and Gas, Agriculture and Machine Engineering. The SQF will eventually underpin the design of the National Qualifications Framework (NQF). GIZ also supports the Ministry in the improvement of other aspects of the VET system, such as strategic planning, independent certification, educational programmes, school management and internship.

Other recent projets include the improvement of the RSMC and the establishment of a parternship between the RSMC and the French International Centre for Pedagogical Studies (CIEP). The OECD supports the Ministry to improve service delivery to the private sector through the Regulations for Competitiveness project, co-financed by the European Union. The Ministry also has developed links with education institutions in various OECD countries in order to share practices – an example is the partnership with the Louisiana Tech University (United States) to share experience on the management of education boards in VET.

The Bolashak programme finances scholarships for Kazakh students to study in top-ranking international universities. In 2011, 2 870 students benefited from this programme and went to universities in 27 countries.

The Ministry has also created eight schools, entitled "Nazarbayev intellectual schools", that conform to international standards and dispense the International Baccalaureate programme.

Structure, organisation and capacity

The Ministry of Education and Science is organised in seven departments and four committees:

- Four departments are in charge of policy formulation – one at strategic level and the other three for specific areas of education: vocational, preschool and secondary, and higher and post-graduate.
- Three departments have support functions: finance and investment projects, legal, and administration (including human resource management). In addition, two separate offices deal with internal audit and control and the protection of State secrets and mobilisation.
- Four committees are in charge of implementing the Ministry's policies in the fields of science, control in education and science, child protection and youth affairs. The latter Committee was created in 2013 in replacement of the Department of youth policy. The committees have the legal and organisational form of government agencies and are headed by chairmen appointed by the Minister of Education and Science.

The support-oriented departments are under the responsibility of the Ministry's Executive Secretary. Other departments and committees report to one of the two Vice-Ministers.

The Ministry also has 16 regional offices in charge of the protection of children rights and 16 regional offices in charge of the control in the fields of education and science.

The Ministry's subordinate bodies consist of:

- 53 higher education institutions, schools, VET institutions, institutes and national centres having the statute of Republican State Enterprises;
- 14 boarding schools and other entities having the status of Republican State Institutions;
- eight Joint Stock Companies (JSC): the Centre for International Programmes (Bolashak), the National Scientific and Technological Holding "Parasat", the Ministry's financial arm Financial Centre, the Kasipkor Holding, the Information Analytical Centre (carrying out studies and international comparisons), the Kazakh Agro Technical University S. Seifulin, the National Centre of Excellence "Orleu" and the Republican Scientific and Methodological Centre (RSMC); and
- a Limited Liability Partnership, the Technology Commercialisation Centre, which supports the implementation of IT-based educational tools.

In addition, there are 25 subordinate bodies with the statute of Republican State Enterprises (scientific institutes, laboratories, etc.), six Joint Stock Companies and two Republican State Institutions directly under the Committee of Science.

Ministry's staff consists of 523 employees in 2014, out of which 172 work in the departments, 196 at the central level of committees and 153 in the regional branches of the Education Control committee.

The Ministry evaluates the annual turnover among its employees at 10%, which compares rather favourably to the rate among all ministries, estimated at 20% by the Civil Service Agency. The Ministry also declares it receives about 15 applications for each vacancy it publishes, compared to five applications across ministries according to the Agency. Staff recruitment is regulated by the 2011 Law on Civil Service. According to the Law, civil service managers are only appointed after consultation with the Civil Service Agency. All vacant positions are publicised by the Agency, which also conducts qualification test for applicants and integrates all applications – irrespective of their final outcome – into its Human Resources Pool.

The Ministry is also in charge of Human Resource Management for teachers. Kazakhstan has approximately 9 pupils per teacher on average in preschooling, primary and secondary education, and 13 to 15 in higher education and VET – levels that are comparable to if not lower than the equivalent OECD averages.

The JSC National Centre of Excellence Orleu is a new organisation created by the Ministry in order to provide training and retraining to the teachers of primary, secondary and vocational education. The National Centre of Excellence Orleu aims at preparing teachers and delivering a qualification examination regarding their pedagogical skills. Training programmes are established by the Republican Institute of Advanced Training of Teachers (RIPKSO) and regional training institutions overseen by the Ministry. Teachers working in the universities and the Nazarbayev intellectual schools have dedicated training centres at regional level, called Centres for Teacher Excellence (MTC).

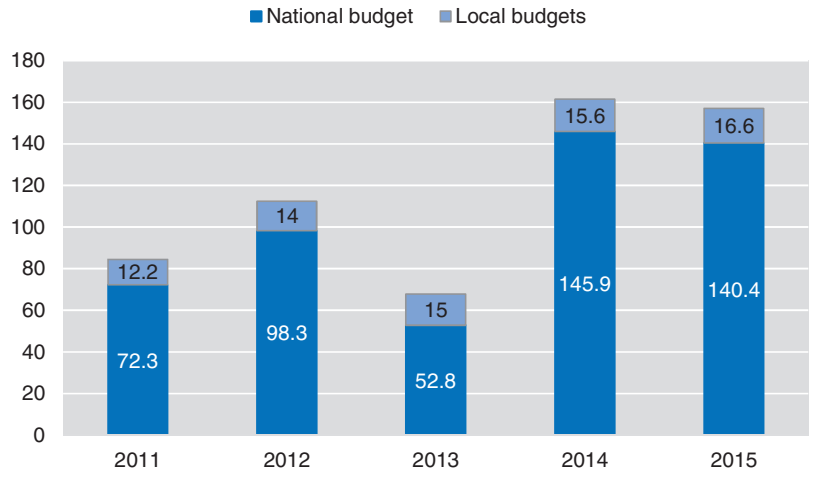
As explained earlier, one of the key objectives of the State Programme for Education Development 2011-2020 is to increase the attractiveness of the teaching profession. Teachers' salary scales in State-run institutions are set by the government. Despite a strong rise in recent years, teacher remunerations are still substantially lower than in the private sector and in other qualified professions. The 2011-2015 Action plan includes a review of the teachers' pay model to further align salaries with those of the private sector. The Plan also includes a range of additional measures from enhancing training (locally and abroad) and modernising teaching materials and infrastructure to developing recognition through the creation of qualification standards and awards for best teachers like the "Teacher of the Year" campaign. However, the ambition of the overall package is limited by its funding, which accounts for only 0.2% of the Action Plan's budget.

Budget and oversight

Budget

The budget of the Ministry of Education and Science has significantly increased in recent years. In 2013, it reached KZT 1 284.4 bn and represented 3.8% of the GDP. This trend is in large part related to the coming into force of the State Programme of Education Development 2011-2020, and is therefore expected to continue in the coming years. Indeed, the budget of the 2011-2015 Action Plan to implement the State Programme – which is first and foremost under the reponsibility of the Ministry – is expected to grow dramatically in 2014 and 2015 (see Figure G.4).

Figure G.4. **Budget of the 2011-2015 Action Plan (KZT billions)**[1]



1. The initial Action Plan, based on a KZT 461 bn contribution by the national budget, has been amended by the Decree of the President of the Republic of Kazakhstan No. 423, dated November 2, 2012, and its financing raised to KZT 510 bn. The figures for the contribution of local budgets to the Plan originate from the Ministry and do not integrate the possible effect of the amendment. In addition, the figures for the national budget do not integrate the effect of the amendment to the Ministry's Strategic Plan in April 2013 (Resolution of the Government No. 330, dated 5 April 2013).

Over 100 budget lines are included in the State Programme, out of which nine projects represent almost three quarters of the total budget over the period 2011-15 (see Table G.1).

Table G.1.**Main programmes in the 2011-15 Action Plan**

Area	Programme	Amount (KZT bn)
Computerisation/e-learning	Introduction of e-learning in secondary and VET education institutions	76.8
Secondary education	Construction of new schools to replace emergency schools	59.7
Tertiary education	Training of masters and doctors	54.5
Computerisation/e-learning	Improving access to the Internet for educational organisations (bandwidth from 4 to 10 Mbit/sec)	53.8
Secondary education	Construction of special schools	50.4
Secondary education	Construction of 20 Nazarbayev Intellectual Schools	45.7
Secondary education	Provision of free textbooks and teaching materials to all pupils of secondary education institutions by 2015	30.6
VET	Government grant to students of vocational schools	27.7
VET	Expansion of the network of model VET institutions	27.7
	Other programmes	106.9

Source: Ministry of Education and Science (2011), Action plan for 2011-2015 years to implement the State Programme of Development of Education of the Republic of Kazakhstan for 2011-2020 years. The figures do not integrate the possible impact of the 2012 and subsequent amendments to the Action Plan.

Through these projects, the Ministry has focused the Programme's financial resources on four areas: the construction of secondary schools, training in higher education, the modernising of VET and computerisation/e-learning in secondary and VET institutions.

Most of the projects included in the Action Plan have been planned to ramp up or start in 2014 – which explains the strong budget increase between 2013 and 2014:

- The introduction of e-learning is expected to accelerate starting 2014 and the yearly budget on this programme is to be doubled in 2014 compared to 2013.
- Broadband Internet access is expected to surge in 2014 and 2015.
- The expansion of the network of education institutions in regions will have a high impact on the budget in 2014 and will be concentrated within that year.
- For VET, the provision of government grants is supposed to start in 2014.

The Action Plan will shift the structure of the Ministry's budget. It leads to an increase in the share of the Committees (in other words, of implementation functions) in the budget. The budget of the Committee of Control in the fields of Education and Science is planned to reach KZT 1 947 mln in 2015, 63% higher than its level in 2012 (KZT 1 196 mln). In 2012, 21% of the budget of the Committee was spent at central level, against 79% at regional.

The distribution of the Ministry's buget between education levels was the following in 2008 according to figures reported by the European Training Foundation[12]: preschool education (4.3%), secondary education (45.7%), VET (5.3%), higher education (8.6%) and other expenditures (36.1%). According to the Ministry's calculations, the VET budget has increased to 7.2% of the Ministry's total expenditures in 2011. The share will probably be even higher in 2015, when the aforementioned projects have been put into effect. It remains that the VET system is also dependent on local and private contributions, which represent 78% of public financing in this area.

By contrast with new educational programmes and the construction of new facilities, a relatively low share of the Programme's financial resources goes to the operation and maintenance of educational institutions and infrastructures, although important needs have been identified in this area, in particular in the poorer and more remote parts of the country.

Oversight

The State Programme includes actions, objectives and indicators in 2010, 2015 and 2020 in the main areas of education. The Ministry monitors its implementation and reports to the Ministry of Economic Development and Trade on a six-month basis (first semester report in August and annual report in February the following year). The annual report details the achievements and priorities for the following year in each of the main identified areas. It is a short report that does not analyse the context of the actions that have been undertaken and causes of the results that have been observed, nor propose any corrective actions for the future. The Ministry reports separately on the implementation of the 2011-2015 Action Plan with a similar bi-annual schedule.

In addition to reporting on the State Programme and the Action Plan, the Ministry submits nine regular reports to the Centre of government, including:

- Quarterly reporting on key numbers to the Ministry of Economic Development and Trade, following instructions by the President;

- Quarterly reporting on the Development Strategy of Kazakhstan until 2030 to the Ministry of Economic Development and Trade; and
- Monthly reporting on coming events to the Prime Minister's Office.

Internally, the Committee on control in the fields of education and science reports to the Department of Strategic Planning and Information Technology on the implementation of the State programme, Action Plan and other activities on weekly, monthly and six-month bases. Other departments and committees also provide information regarding their area of activity to the Department of Strategic Planning, which produces an annual statistical report on Education in Kazakhstan.

The Office for Internal Audit and Control is responsible for financial control, and reports directly to the Minister of Education and Science.

The number and frequency of reports, which are related to the number of planning documents (the State Programme, the Action Plan, the Balapan Programme, the Ministry's strategic plan) as well as their extensive nature, is an indication of the resources that the Ministry has to divert away from policy analysis, formulation and evaluation to purely administrative tasks.

Summary assessment and recommendations

Education has been a priority area of development for the government of Kazakhstan in the last decade, as testified by the increase in the share of education spendings in the GDP and the ambitions of the State Programme for the years 2011-2020. The Ministry of Education and Science has enjoyed a relative stability in its mandate and strategic objectives as well as a regular increase in its budget. Its strategy and policy documents are organised according to the cascading structure of the government's planning and evaluation system (explored in detail in Chapter 5). They cover the entire range of education levels and are consistent, although in some specific areas the degree of co-ordination with and integration of other stakeholders could be improved.

On the negative side, the degree of formalism used in defining and monitoring its activities, the extensive scope and the multiplicity of strategic documents that it has to manage and on which it has to report seem to impose excessive administration costs on the Ministry, at the expense of its policy-making capacity. In addition, when designing and fine-tuning its policy-interventions, the Ministry does not dispose of state-of-the-art evaluation instruments.

The budget for education is somewhat biased in favour of new programmes and facilities, which often contribute to the promotion of academic excellence and the constitution of an elite among students. Operational expenses and infrastructure maintenance in more remote or unprivilegied parts of the country, as well as the level of remuneration of teachers, have relatively lower priority. Funding for research and development is also inadequate.

Finally, there is a degree of organisational complexity in the licensing and oversight of education institutions. The creation of an independent national body in charge of accreditation provides an opportunity for simplifying the system – rather than merely adding another layer to it.

On the basis of the foregoing, the government could consider the following actions in order to improve the organisation and policy making capacity of the Ministry.

1. Simplify the Ministry's functional and strategic framework by focusing on its main functions and priority areas of development, and granting its services greater autonomy in analysing policy issues and proposing measures in other areas.
2. Balance education budgets in order to allow for sufficient expenditure on the operation and maintenance of education institutions.
3. Increase the budget for research and innovation and better encourage public-private partnerships in this area.
4. Strengthen the effort to increase the attractiveness of the teaching profession, in particular in terms of salary.
5. Reduce the organisational complexity of the system of licensing and control of education institutions.

Notes

1. "All persons shall be given equal rights to quality education." Law on Education, article 3.1.
2. OECD (2014), *Reviews of National Policies for Education: Secondary Education in Kazakhstan*. Paris, OECD Publishing.
3. Decision of the Government of the Republic of Kazakhstan No. 236, dated 13 March 2013.
4. See Chapter 5.
5. Damitov, B.K et al. (2006), *Natsionalniy doklad o sostoyanii i razvitii obrazovaniya*, National Centre for Educational Quality Assessment, Astana. The report made a critical assessment of the quality of the education system, as far as a large share of the population is concerned, and identified a number of reform areas that determined the government's policy orientation in the following years, notably with regard to preschool education facilities.
6. In Kazakhstan's terminology, secondary education covers all compulsory studies, usually identified as primary and secondary.
7. See the assessment of the functions of the Ministry of Industry and New Technologies.
8. The law "on education" differentiates national research universities, research universities, universities, academies and institutes.
9. These estimates have been provided by the Ministry of Education and Science. The State Programme itself does not specify the amount of funding expected from local authorities. The budget of the Action Plan is described in greater detail in section V below.
10. Compared to their State-run counterparts, private institutions benefit from more autonomy in management and budget – in particular they set the salary scales for

their teachers. See OECD (2007), *Reviews of National Policies for Education: Higher Education in Kazakhstan*. Paris, OECD Publishing.

11. The Dublin descriptors are non-prescriptive statements about the typical achievements and competencies that students acquire on completion of a given cycle of higher education studies. They have been developed within the framework of the Bologna process.

12. European Training Foundation (2010), *Torino Process: Kazakhstan*.

Annex H

Assessment of the functions and organisation of the Ministry of Environment and Water Resources

Introduction

On several accounts, the state of the environment has been a major challenge for the government of Kazakhstan. Parts of the legacy of the Soviet Union to Kazakhstan were the radioactively contaminated site of Semipalatinsk, the shrinking of the Aral Sea, and desertification and land deterioration in a large part of the country caused by the practice of intensive agriculture. To this, the strong industrial growth of the past ten years has added acute problems of air, water and soil pollution. The country has an immense stock of waste (more than 22 billion tons in 2009[1]), essentially of industrial origin, mostly untreated and deposited in open landfills, which continues to grow steadily (by more than half-a-million tons a year). Kazakhstan is also a large emitter of greenhouse gases, ranking 16th country in the world in terms of CO_2 emissions per capita and 5th in terms of CO_2 emissions per unit of GDP in 2011.[2] The country's use of fossil fuels (coal, oil and gas) has strongly increased in recent years and represents more than 90% of its energy supply.[3] Last but not least, Kazakhstan's use of its water resources is developing fast and the risk of severe shortage by 2030 is considered serious. According to Yale University's Environmental Performance Index, Kazakhstan is at the 129th rank out of 132 countries in terms of its level of performance in 2012 and at the 126th rank in terms of the trend it has followed since 2000.[4]

The government of Kazakhstan has taken some steps in recent years to address these challenges. In 2007, it adopted the Environmental Code of Kazakhstan, which consolidates and harmonises the legislation related to the preservation and restoration of the environment and the use of natural resources. At the same time, it revised its approach to the enforcement of laws and regulations by promoting self-monitoring schemes and decentralising part of the compliance control functions.[5] Finally, it elaborated a number of strategic plans and programmes related to the environment and sustainable development, with such ambitious targets as the full recycling of household waste and the provision of half of the country's energy consumption through alternative (i.e. nuclear and renewable) sources by 2050.

As the central body responsible for the government's renewed action in favour of the environment, the Ministry of Environment and Water Resources (MEWR) has undergone major changes in 2012-13. Its strategic and policy documents have been revised in order to determine objectives and measures in line with the government's ambitions. The scope of its missions has been broadened and its services have been re-organised.

In this paper, we seek to assess the MEWR's capacity to fulfil its mission and achieve its goals by reviewing first its formal functions, second its strategy, third its structure and organisation, fourth its policy making and policy implementation procedures, fifth its operational management, and finally its relations with its subordinate organisations. On the basis of this analysis, the paper concludes with a brief assessment of the organisation and policy-making capacity of the Ministry and a set of policy recommendations.

Missions and functions

The government's organisation with regard to environmental issues was, at least since 2002, highly fragmented. Functions such as the monitoring of natural resources, the prevention of ecological damage and environmental health effects, information and awareness-raising, or support for best available technologies in agriculture, mining and manufacturing, were scattered among a large number of ministries and agencies. Between 2003 and 2010, an inter-ministerial committee, the Commission for the stabilisation of the quality of the environment, was responsible for policy co-ordination in this area. However, as the mandate of the governmental bodies did not sufficiently internalise the linkages between the various areas of policy making and as none of them was in a position to provide the necessary leadership, actual co-ordination was less than adequate. In its 2008 assessment of Kazakhstan's environmental performance,[6] the UNECE therefore recommended the government to "clearly define the horizontal responsibilities in environmental policy matters across and within different ministries, including responsibilities for co-ordination of environmental management" and "increase the co-ordinating role of the Ministry of Environmental Protection in improving co-operation between competent ministries to ensure adequate integration of environmental and social issues in sectoral policies and strategies".

In 2013, the Centre of government has indeed taken several decisions that enhance the role of the MEWR in environmental policy making. The functions of the Ministry have been extended in three directions:[7]

- More comprehensive responsibilities in the monitoring and regulation of the use of natural resources, in water resource management (excluding soil improvement) and in the development of the fishing industry, functions which were previously fulfilled by the Ministry of Agriculture.8
- Responsibility for the management of residential solid waste, which was transferred from the Agency of the Republic of Kazakhstan for construction and housing.
- A more active role in the promotion of renewable energy sources, in place of the Ministry of Industry and New Technologies.

These functional changes have resulted in the transfer of the committees for fisheries, forestry and hunting, and water resources, as well as the department of natural resources, from the Ministry of Agriculture to the MEWR, which has undergone a dramatic increase in its size and budget. By contrast, the Ministry's new responsibilities in waste management and development of renewable sources of energy have not been accompanied by a transfer a resources.

The changes have also coincided with the adoption of an important strategic document, the Concept of transition to a green economy by 2050, and the preparation of a draft State water management programme. Both documents give the MEWR a lead role in the development, implementation and monitoring of policy measures in its areas of competence.

As a result of these developments, a large share of central executive functions are now centralised within the MEWR in the areas of natural resource use, waste management and renewable energy sources.

Box H.1. The extended missions of the MEWR

As formulated in Resolution No. 172 of the Government, dated 25 February 2013, the missions of the Ministry of Environment of the Republic of Kazakhstan consist of:

1. improving environmental quality, preserving biological diversity, ensuring ecological security and ecologically sustainable development;
2. overseeing and co-ordinating policy implementation in the areas of environmental protection, water resource management (excluding soil improvement), forestry, animals, highly protected natural areas and sustainable development;
3. improving legislation in the areas mentioned in point 2, in addition to those of residential solid waste management and development of renewable energy sources;
4. improving public administration in the areas mentioned in point 2, in addition to those of residential solid waste management, development of renewable energy sources, state ecological oversight, and elaboration of economical methods of environment protection, within the scope of its competence;
5. optimising environmental protection and contributing to the optimisation of natural resource use for sustainable growth;
6. fostering international co-operation in the areas mentioned in point 2, in addition to those of residential solid waste management and development of renewable energy sources;
7. developing awareness-raising measures in the area of environmental protection; and
8. ensuring state oversight in the areas mentioned in point 2, in addition to those of residential solid waste management, development of renewable energy sources, compliance with the legislation on environmental protection and ecological specifications.

Each of these missions corresponds with a number of functions specified in the law. For instance, the Environmental Code specifies that administration of natural resource use consists of:

1. the planning of natural resource use;
2. the oversight of protection, use and restoration of natural resources;
3. the issuance of licenses and permits and conclusion of natural resource use agreements or contracts;
4. the adoption of measures to restore natural resources and implementation of resource-saving technologies;
5. the supervision of natural resource monitoring and registries;
6. the setting of limits and distribution of quotas for natural resource use;
7. the management of public legal persons involved in use and restoration of natural resources; and
8. the organisation of natural resource protection.

In relation with its new portfolio of responsibilities, the Ministry's denomination was changed from "Ministry of Environmental Protection" to "Ministry of Environment and Water Resources" by the Decree of the President No. 677, dated 29 October 2013.

Source: Government of Kazakhstan

By way of contrast, the role of the MEWR remains secondary in some areas that are strongly connected to the environment, such as urbanisation and land use (which are part of the functions of the Ministry of Regional Development[9]), energy and mineral resources (Ministry of Oil and Gas), transportation (Ministry of Transport) and in the management of natural and man-made hazards (Ministry of Emergency Situations). In these areas, the MEWR is required to provide general information about environmental conditions as an input to the decision-making process or, in some cases, to evaluate the environmental impact of decisions.10 Such linkages are necessary, but not sufficient to fully account for environmental effects and integrate environmental goals at the level of strategic choices and general policy orientations. Some OECD countries have made the alternative choice of integration: in the United Kingdom, the Department for Environment, Food and Rural Affairs is also in charge of risk management and emergency preparedness[11]; in France, the environment portfolio includes risk management, energy policy, regional development and transport, and in the Ministry's name, "sustainable development" has replaced "environment".[12]

The management of flood and drought risks can be used to make the case for such integration. This is an area where large synergies exist between environmental protection and risk assessment and prevention. Hydrologists and irrigation experts in charge of water resource management are well equipped to evaluate flood and drought hazards and to understand how patterns of land use and farming can reduce or, on the contrary, aggravate exposure and vulnerability to hazards. For this reason, these policy areas often fall under the responsibility of the Ministry of Environment in OECD countries. In Kazakhstan, the MEWR's contribution seems limited to providing rainfall and river discharge forecasts to the Ministry of Emergency Situations for its risk management measures. This means that prevention measures can be overlooked and that risks can be addressed primarily from the standpoint of emergency management.

It should therefore be included in the functions of the Ministry of Environment and Water Resources to systematically review and make recommendations on important policy documents (including sectoral programmes, strategic plans and regulations) in the areas of urbanisation and land use, energy and mineral resources, transportation, and natural and man-made hazards. This measure should be backed by appropriate institutional mechanisms (in particular in the governmental planning framework) and capacity-building within the MEWR.

Finally, the functions and missions of the MEWR, as they are formally defined in the law, need to be contrasted with the actual role that the Ministry plays within the government apparatus. As explained in Chapter 5, this role is largely conditioned by the planning and the effectiveness evaluation systems. For instance, while the missions and functions of the Ministry are expressed in terms of general goals of environmental quality and social welfare, the criteria against which its performance is evaluated are primarily administrative: the development and implementation of strategic plans, the execution of the acts and orders originating from the Centre of government, budget management, service delivery and human resource management, IT use and the legal support provided to State agencies). Naturally, the two sets of goals do not always coincide. The OECD's review of the work of the Ministry's Committee for environmental evaluation and control gives an example of mismatch between formal and actual objectives, namely the Committee's strong focus on the collection of revenues from fines rather than on environmental outcomes.[13]

To address this issue, Chapter 5 proposes measures to encourage and enable ministries to feel responsible for the end-results of their policies and pro-actively address their formal missions.

Strategy

In addition to the higher level visions and plans that concern the entire government (Strategy 2030, the strategic development plan of the Republic of Kazakhstan till 2020, Strategy 2050), two documents constitute the pillars of the strategic framework under which the Ministry of Environmental Protection currently operates: the sectoral programme Zhasyl-Damu for the years 2010-14 and the Concept of transition to a green economy by 2050, operationalised by the Action plan for the implementation of the Concept during years 2013-20. The MEWR also has some responsibilities in the completion of other sectoral plans such as the Programme for accelerated industrial-innovative development for the years 2010-2014 and the Programme for the development of agriculture for the years 2013-2020 ("Agribusiness – 2020"). The Ministry's five-year strategic plan (currently for the years 2014-18) and its annual operational plan provide an overview of its strategic objectives and policy directions.

The sectoral programme Zhasyl-Damu was adopted by the Resolution of the Government No. 924, dated 10 September 2010, amended by Resolutions No. 912 and No. 804, dated respectively 4 August 2011 and 7 August 2013, and ended by Resolution No. 779, dated 8 July 2014. It includes objectives and provisions with regard to emissions of greenhouse gases, air and water pollution, waste production and recycling, contaminated sites, protected natural areas and biological diversity. The programme prescribes the introduction of natural resource use indicators in the integrated permitting system for polluting activities, actions for the protection of wild species and the increase in forest cover, the launch of a minimum number of projects for greenhouse gas emission reduction and clean technology applications, and the development of environment monitoring stations, among others.

The Concept of transition to a green economy was adopted through the President's Decree No. 577, dated 30 May 2013. It sets a number of ambitious objectives for the coming decades, including:

- to resolve problems of water supply by 2020 for the population (drinking and sanitation), by 2040 for agriculture and generally by 2050;
- to dramatically improve wheat yields while at the same time reducing the use of water for irrigation;
- to bring down the rate of energy intensity[14] by 25% by 2020, 30% by 2030 and 50% by 2050;
- to increase the share of renewable sources of energy (including hydro) and nuclear power from less than 1% currently up to 30% in 2030 and 50% in 2050, and replace coal-fired power plants by gas-fired plants;
- to reduce CO_2 emissions by 15% by 2030 and 40% by 2050 (compared to the 2012 level);
- to solve local pollution problems by bringing the level of SO_2 and NOx in line with EU standards; and

- to recycle 40% of new waste by 2030 and 50% by 2050.

Some of these goals had already been established by the Presidential vision "Kazakhstan- Strategy 2050" and were integrated in shorter-term planning documents, including the Zhasyl-Damu programme. However, the Concept presents a more comprehensive set of sustainable development goals at the same time as it defines six key principles of action in this area: the enhancement of natural resource productivity; responsibility for resource use; the application of new generation technologies; the attractiveness of resource-saving measures for investors; the consideration of economic dividends; and the promotion of ecological values among the public.

In order to implement the Concept's provisions regarding hydrological resources, the MERW has also adopted the State Programme on water management, which contains, in particular, measures aimed at providing drinking water to all of the population, generalising sanitation in all urban centres and 20% of villages and introducing water-saving irrigation techniques in agriculture by 2020.

The government's hierarchy of strategic documents plays a critical role in giving direction to the MEWR's policy making and in co-ordinating its actions with those of other ministries and agencies. It can even be instrumental in defining the very functions of the Ministry and the overall structure of government, as witnessed by the coincidence between the adoption of the Concept of transition to a green economy and the extension of the Ministry's mandate in the areas of natural resource management, waste management and renewable sources of energy.

However, when it reaches the level of the Ministry, the planning framework generates a number of negative side effects. Because of its comprehensiveness, it can develop a form of "plan-dependency" in the Ministry and be detrimental to the senses of autonomy and responsibility among its staff. As described in the next section, the MEWR's services seem totally absorbed by the tasks of adapting, implementing, monitoring and reporting on their strategic plan.

The need to establish a link between any activity of ministerial services – including when it has the nature of a general public service – and a strategic objective and indicator can also make the strategic and operational plans seem artificial. For instance, the development of electronically-provided services appeared among the actions aimed at stabilising emissions of pollutants in the environment in the Ministry's Strategic Plan for the years 2011-15 – while this is certainly not its most important outcome given the negligible contribution of the Ministry's services to pollution in Kazakhstan. In the current Strategic Plan, the activity has been listed under the objective "Co-operation with non-governmental organisations to ensure public access to environmental information and improve the quality of public service delivery".

The problem is compounded by the number of strategic documents which affect the Ministry's work and the frequency at which they change. For instance, when it was adopted in 2010, the Zhasyl-Damu programme integrated the principles and objectives defined in two concepts (Concept of development and management of the specially protected natural territories of the Republic of Kazakhstan until 2030 and Concept of ecological safety for 2004-15) and four programmes (Programme of environmental protection of the Republic of Kazakhstan for 2008-10, Programme Zhasyl El for 2008-10, Programme for the conservation and sustainable use of wildlife and development of a network of protected areas by 2010, Programme to comprehensively address the problems of Aral Sea for 2007-09), while a third Concept ran in parallel (Concept of

transition to sustainable development for 2007-24) – at least legally.[15] As we saw, the Zhasyl-Damu programme was itself amended in 2011 and again in 2013 in order to account for the adoption of the Concept of transition to a green economy. In all, almost 20 concepts and sectoral programmes having a direct relation to the MEWR's mandate have been adopted since 2000 (see Box H.2).

Box H.2. **Strategic concepts and programmes related to environmental protection since 2000**

- 2000: Concept of development and management of the specially protected natural territories until 2030;
- 2002: Programme on drinking water for the years 2002-10;
- 2003: Concept of ecological safety for the years 2004-15 and action plan for the implementation of the concept during years 2004-06;
  - Programme for poverty reduction the years 2003-05 (*secondary*);
  - Strategy of innovative industrial development until 2015 (*secondary*).
- 2004: Programme of environmental protection of the Republic of Kazakhstan for the years 2005-07;
- 2005: Programme for combating desertification for the years 2005-2015;
- 2006: Concept of transition to sustainable development for the years 2007-24:
  - Programme to comprehensively address the problems of Aral Sea in the years 2007-09;
  - Strategy of territorial development until 2015 (*secondary*).
- 2007: Programme Zhasyl El for the years 2008-10:
  - Programme for the conservation and sustainable use of water resources, wildlife and the development of a network of protected areas by 2010.
- 2008: Programme of environmental protection of the Republic of Kazakhstan for the years 2008-10;
- 2010: Programme Zhasyl-Damu for the years 2010-14:
  - Programme for accelerated industrial-innovative development for the years 2010-2014 (*secondary*).
- 2013: Concept of transition to a green economy by 2050 and action plan for the implementation of the concept during years 2013-20:
  - Programme for the development of agriculture for the years 2013-20 ("Agribusiness – 2020") (*secondary*); and
  - Draft programme on water management for the years 2014-40.

The abundance of strategic documents does not only generate a considerable amount of administrative work. It is also detrimental to the very purpose of strategic planning, which is to provide a stable set of policy priorities, associated with principles of action and objectives, over the long term. The concepts and programmes adopted since 2000 in

the area of environmental protection have, in many cases, been superseded by new plans after only a few years. Further, strategic documents seldom include a critical assessment of previous plans and concepts. In fact, it does not appear that strategic documents are submitted to an outcome-based evaluation during their period of application (although a formal evaluation process exists), so that the reasons of their shortcomings can be assessed and lessons learned before new strategies are put in place.

Finally, there are cases where the most challenging actions are "pushed forward" in the future, making longer-term planning documents (the President's declaration "Kazakhstan – Strategy 2050" and some sectoral programmes) seem far more ambitious than the Ministry's strategic and operational plans. For instance, while the Concept of transition to a green economy (and "Kazakhstan-2050") sets the goal of providing at least half of the country's consumption of energy through alternative (to coal, oil and gas) sources by 2050, the nearer-term objective, which is integrated in the Ministry's strategic plan, is a share of only 2% by 2017. Similarly, low carbon development has been integrated in the Ministry's 2011-15 strategic plan with the target of achieving a reduction in annual emissions of GHGs by the end of the period, a prelude to the significant decreases foreseen in the Concept of transition to a green economy. Such a short-term reduction would be an achievement in itself given the current trend of increase in emissions, but the Ministry's expects it to result from the economic diversification measures taken within the Programme of accelerated industrial/innovative development. As far as the MEWR itself is concerned, the only action undertaken in this area in its current operational plan is the launch of an emissions trading system, which cannot be expected to deliver substantial results in the short term.

Policy making and policy implementation

Since the passing of the Environmental Code in 2007, the Ministry has gradually transformed its approach to policy making and implementation, which consisted in command, control and punishment of non-compliance based on sector-specific regulatory requirements. The Environmental Code made important steps in the direction of rationalising the regulatory apparatus, first by incorporating a vast number of environmental laws and regulations, and second by introducing new regulatory tools such as integrated permitting and self-monitoring.

Integrated permits bring together the various technical requirements imposed on a facility regarding its emissions in the environment within a single document, and make the adoption of the best available technology the key condition of compliance. One of the requirements of integrated permits (as well as specific emission permits) is for the facility to introduce a self-monitoring programme and to report on its results. The Code also divides the regulated activities into four categories, assigns the oversight of category I, which includes large industrial facilities, to the MEWR, and devolves the other categories to the local level (executive bodies of oblasts, large cities and areas of national significance).

The role of the MEWR is then to define the parameters of this regulatory framework and to control its validity. The Ministry establishes and regularly updates the list of best available technologies for each type of facility, issues permits and verifies the self-monitoring programmes of category I installations through environmental audits.

The Ministry has adopted a risk-based approach to compliance control in agreement with the provisions of the law on State control and oversight in the Republic of Kazakhstan. It has defined criteria for assessing the threat level of each type of facility which combine the likelihood and consequences of non compliance. Based on these criteria, the Ministry's Committee of environmental regulation and control determines the frequency of its audits and establishes its audit planning, which is posted for the current year on the website of the General Prosecutor's office and can be consulted by private companies and the public.

The adoption of a risk-based approach has several advantages – provided the assessment of risk is based on a sound understanding of the factors and consequences of non-compliance (including, for instance, issues of moral hazard[16]), and regularly updated to account for the results of audits. Risk-based prioritisation maximises the expected outcome of oversight activities at the same time as it enhances prevention (compliance) efforts among high-risk entities and reduces the administrative burden imposed on low risk entities, which are often small and medium enterprises.

The government has taken additional measures to reduce the cost associated with environmental oversight.

Several changes, effective since January 30, 2012, have accelerated and simplified the processes of issuance of permits and environmental audits.

Deadlines for reviewing emission permit applications have been reduced from four months to two for category I facilities and to one for other categories. Furthermore, the issuing authority has been mandated to make a first check of the application within fifteen days, instead of one month previously. The list of documents to attach to the application has been shortened, and no longer includes a description of technologies at use, draft regulations on atmospheric emissions, a notarised copy of the agreement of environmental insurance, and the environmental audit report for the design of the intended activities with a section dedicated to environmental impact assessment. The process no longer includes a co-ordination procedure between the environmental protection and the sanitary and epidemiology authorities.

Similarly, the timeframe for an audit has been reduced from three months to two for category I facilities, and to one month for other categories (timeframes have also been reduced for preliminary audits and repeated audits, respectively to five working days and one month for category I facilities). The number of mandatory stages of environmental impact assessments has been reduced from five to three. Finally, the period of validity of emission permits has been extended from 3 to 5 years for category I facilities.

In addition, from January 1, 2013, planned audits have been excluded for small businesses for three years after their registration.

Finally, on the proposal of the Committee of environmental regulation and control, the following functions have been considered redundant and withdrawn from the Environmental Code:

- control of ecological requirements in highly protected natural areas;
- control of ecological requirements in the area of protection, restoration and use of natural resources;

- control of animal and plant protection requirements during zoning, design and construction of settlements, enterprises and other facilities, performing production processes and use of vehicles, application of chemical and other substances; and
- control of requirements for trans-border transportation of hazardous wastes.

These changes have taken place against a background of serious budget and resource limitations, and have partly been motivated by the desire to increase the cost-effectiveness of the Ministry's services. While such an increase is positive *per se*, it should not conceal the long-standing problems of effectiveness of environmental policy making and implementation.

For instance, in its 2008 evaluation of Kazakhstan's environmental performance, the UNECE noted that:

> "There is little understanding of the serious environmental, health and safety consequences of mining and oil and gas operations. These consequences have not been properly assessed, nor have they been addressed sufficiently by measures designed to reduce pollution. Their cumulative effects, particularly in the environmentally sensitive area of the Caspian Sea and its coastal zone, are largely underestimated."

It appears that environmental impact assessments are seldom conducted with the appropriate level of comprehensiveness and detail. There are also deficiencies in control and non-compliance seems widespread, with little consequences. A substantial share of the country's waste repositories, for instance, still operates without permits.[17]

The magnitude of ecological issues in Kazakhstan would justify a considerable effort in monitoring the state of the environment, conducting research on the cumulated environmental and health effects of pollution, cleaning and restoring damage zones, carefully evaluating the impact of industrial and agricultural projects on already stressed ecosystems and enforcing regulations. While several of these areas have received some attention in recent plans and programmes (see previous section), there is still a long way to go. In their present configuration, the Ministry's services do not seem to have the capacity to address these issues while at the same time fulfilling their new missions.

The Ministry's expert committee is entitled the Public environmental council. It is a consultation body that brings together the representatives of 8 governmental entities and 17 non-government organisations.

The Concept of Environmental Safety for 2004-2015 adopted in 2003 recognised a public right of access to environmental information and participation in policy making on environmental matters. Articles 13 and 14 of the Environmental Code define the conditions in which these rights can be exercised, providing for wider participation than in the general case. Other legislation, embodied in particular in the Water Code and the Land Code, has also created possibilities for private individuals and some non-government organisations to request and obtain information about issues of local interest and to participate in their handling.

These advances were at least in part triggered by Kazakhstan's adhesion to the UNECE Convention on access to information, public participation in decision making and access to justice in environmental matters, also called the Aarhus Convention. The Convention is the first legally binding international agreement that addresses the citizens' right to be informed about, participate in and have access to justice with regard to public decisions concerning the environment. In particular, in order to ensure that the public can

actually take part in the decision-making process, it establishes certain practical criteria concerning the conditions of involvement of those concerned (timely and effective notification, sufficient time to participate ahead of decisions), their access to information (right to inspect relevant information free of charge), as well as the obligations of public decision-making bodies (to take account of the outcome of participation, to publicly notify the decision and its justifications).

Kazakhstan was among the initial parties to the Convention and one of the first countries to ratify it. Although it has made substantial progress in the past ten years in implementing it, it has also failed in a number of cases to comply with its provisions. Some of its main shortcomings are due to inadequacies in policy areas other than environmental protection that have an environmental impact. These difficulties seem to stem from a compartmented approach to the Convention's requirements, which have been in large part addressed by the Ministry of Environmental Protection alone. Further, Kazakhstan's mechanisms of public participation have been criticised for being too formal and not enabling citizens to get effectively involved in government decisions.

Structure and organisation

As of November 2013, the Ministry of Environment and Water Resources has 11 departments and 4 committees (see the Ministry's organisational chart in annex 1) and a staff of 1700 employees, out of which less than one fifth work in the central services (about 100 in the departments and 200 in the committees); the bulk of the staff is in the regional offices of the committees.

As mentioned, one of department (natural resources) and three committees (fisheries, forestry and hunting and water resources) have been transferred to the MEWR from the Ministry of Agriculture in 2013, as a consequence of the expansion of its functions and missions. The department of natural resources is in charge of policy making in all three sectors. It has 7 employees. The committees, which are responsible for inspections in their respective sector, have between 23 and 36 employees at central level. Together, the department and the committees have been placed under a vice-minister.

The Ministry's new functions in household solid waste management and the promotion of renewable energy sources have not been matched with a transfer of competent services and resources. These are areas in which the Ministry did not have policy making responsibilities previously. They have therefore been assigned to a new unit, the department of green technologies and investments, established within the Ministry's existing budget.

The Ministry's analysis and research work is conducted by the Department of strategic planning and monitoring, with the exception of some limited sector-specific research. The Department is also in charge of developing strategic and operational plans, following up and reporting on their implementation and outcomes, monitoring the state of the environment through a series of indicators, carrying out public hearings and consultations. It has a staff of 10 full-time employees.

The MEWR's department of international environmental agreements is in charge of analysing how the country's international commitments in the field of environmental protection should be incorporated in the national legislation and what would be their likely consequences. Based on this analysis, the department is also mandated to make law proposals. Kazakhstan has ratified 27 international treaties related to the environment in recent years.

The departments of green technologies and investment, strategic planning and monitoring and international environmental agreements are placed under one vice-minister.

The department of low carbon development is responsible for implementing a system of greenhouse-gas emission trading based on the European Trading System, including issuing the certificates, accrediting independent control organisations and monitoring emissions (GHG). The department designs the government's policy in this area and participates in international negotiations on climate change. The department has a staff of 8 employees.

The department of State regulation of environmental protection determines the regulatory policy regarding polluting activities and emissions in the environment (other than GHGs).

The Committee of environmental regulation and control is in charge of the enforcement of that policy, notably through environmental audits. Its staff at central level consists of 47 employees.

The departments of low carbon development and State regulation of environmental protection and the Committee of environmental regulation and control report to a vice-minister.

Four departments in charge of the operational management of the Ministry are placed under the Executive Secretary: economics and finance, administration and personnel, environmental legislation and legal support, and IT. These departments have between 5 and 10 employees. For instance, the department of IT, which has responsibility for the Ministry telecommunication equipment, hardware, information systems and e-gov services, has 5 employees.

Finally, the Department of internal control, with 3 employees reports directly to the Minister (as does the service of State secrets and mobilisation).

In addition to the 46 regional offices of its committees, the Ministry has 48 subordinate bodies. These are mostly organisations managing natural reserves and technical bodies under a committee, with five notable exceptions:

- the Information and analysis centre for environment protection, a State-owned company responsible for measuring environmental indicators, building a public inventory of natural resources, maintaining a database of the legal framework for environmental protection, offering training courses to public and private organisations and providing information the public;
- the national hydro-meteorological service KazHydromet, a State-owned company that monitors and forecasts the weather and provides related services regarding precipitations and water levels, natural hazards and soil conditions for crop production;
- Kazaeroservice, a joint stock company that provides specialised meteorological services for civil aviation;
- Zhasyl damu, a joint stock company specialised in the management of GHG emission quotas and carbon units, as well as the inventory and management of various types of waste. Zhasyl damu was constituted in 2013, after the government decided to transfer the State-owned company Kazniiek (Kazakh Scientific Reseach Institute for Ecology and Climate) to the competitive sector.

Kazniiek was a subordinate body of the Ministry which conducted research on its behalf regarding the conditions and consequences of Kazakhstan's ratification of the Kyoto Protocol to the UN Framework Convention on Climate Change; and

- Eurasian Water Center; a joint stock company providing scientific research and support for the effective and rational use of water resources.

As described in the first two sections, the MEWR has an extremely challenging set of functions and strategic objectives. To be able to address its missions efficiently, the Ministry should be able to rely on strong capacities both in policy making (environmental monitoring and research, policy analysis and regulation) and in policy implementation (including a good knowledge of the regulated objects), as well as effective articulation between the two.

Currently, the Ministry's analytical work seems to a large extent limited to the administrative monitoring and reporting tasks imposed by the planning framework. As testified by their size, its policy making departments have a limited ability to collect information, produce statistical, environmental and economic analyses, conduct or finance research on environmental issues, conduct horizon-scanning or prospective studies, formulate and evaluate policy responses. The departments have a lack of expertise and experienced staff, notably because of the rate of turnover that is high even by the standards of Kazakhstan's civil service. No department has overall analytical responsibilities – analytical resources are therefore scattered and policy formulation takes place within silos.

The Ministry's capacities in this area have in large part moved away from its headquarters with the separation between departments, committees and subordinate organisations. Research and analysis capabilities have been externalised in the subordinate bodies: the Information and analysis centre for environmental protection and Kazhydromet are instrumental in measuring and studying the state of natural resources and the climate respectively; research on policy options takes place principally in Zhasyl Damu regarding global warming and in the Eurasian water center regarding water resources, while some research projects are also outsourced to the private sector. The practical knowledge of policy issues and effects, on the other hand, is in committees. The division of labour between departments and committees is not totally clear, and it seems that the latter get to a large extent involved in the development of regulations.

This pattern of specialisation should be balanced by strong linkages between departments, committees and subordinate organisations, so that policy making would be fed by sound analysis on one hand, and an adequate understanding of policy issues on the other. Unfortunately, the relations between the MEWR's departments, committees and subordinate organisations seem to be entirely structured by the planning process. Less formal interactions seem very limited, especially at working level.

Furthermore, in areas of inter-ministerial co-operation, the MEWR is often dependent on the decisions of larger ministries that do not necessarily share its priorities (e.g. Education regarding research issues, Transport and Communications regarding environmental monitoring equipment).

In short, the Ministry's capacities and structure do not seem in line with its very demanding missions, particularly after the latter have been expanded by the Concept of transition to a green economy. To achieve the ambitious targets of the Concept, it seems critically important to reinforce the analysis and research capacity of the MEWR, to insulate it from the strategic planning and monitoring functions, and to develop

institutional as well as informal linkages between the Ministry's departments, committees and subordinate organisations.

Budget and oversight

Within the Ministry, the budgetary process is piloted by the Department of economics and finance, which collects requests for the following year from each of the Ministry's departments and committees. Each service has to justify its request, subdivided into base expenditure and new initiatives, on the basis of its objectives in the Ministry's strategic and operational plans. The Department of finance verifies that formal justifications are provided and the government's procurement rules are respected, and prepares an aggregate budget request including:

1. estimates by type of cost for each budget programme included in the draft strategic plan, strategic plan or draft changes and additions to the strategic plan;
2. income forecasts related to the sales of goods or services by public institutions;
3. an executive summary; and
4. a list of the budget programmes; costs for active and development budget programmes broken down into base costs and new initiative costs; approved manning table for the current year and draft manning table for the plan period for the Ministry's services at central and regional level and its subordinate bodies; manning table of executive bodies financed by local budgets; other information requested by the central budget planning authority or local authorised body for state planning.

The budget request is then submitted to the Ministry of Finance's budget committee.

In parallel, committees and subordinate organisations report to the Ministry on their progress in the implementation of the strategic and the operational plans. Each organisation submits a development plan performance report at the end of every year. The report follows the methodological guidelines elaborated by the designated state planning institution (the Ministry of National Economy at central level), including its structure of sections and list of indicators. Financial statements are also enclosed.

The Ministry's Internal Control Department oversees the use of budget funds, controls accounting data and co-ordinates budget implementation in all services of the Ministry. It follows the procedures defined by the Budget Code, standards of State financial control and rules of internal State financial control. Its control reports are submitted to the Minister and to the Ministry of Finance's committee for financial control and posted on the Ministry's website.

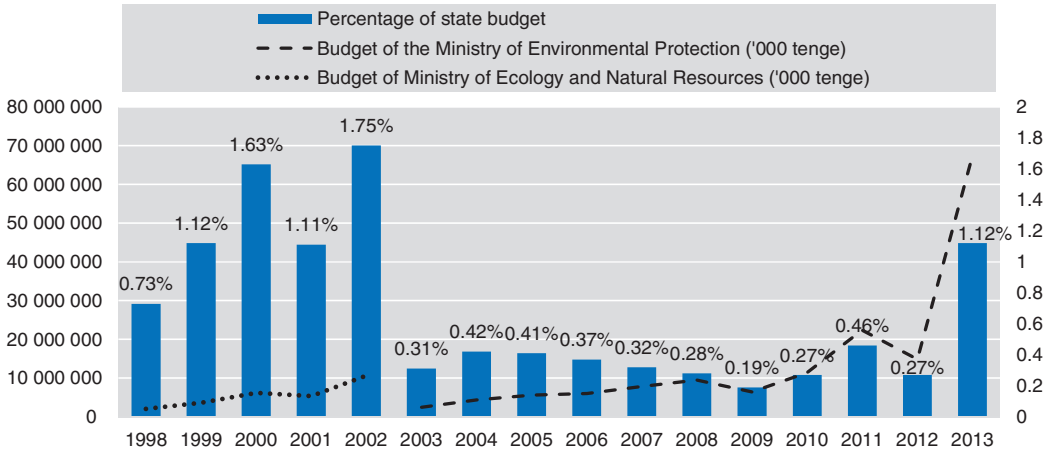
The Ministry's services are also audited by the Ministry of Finance's accounts committee and committee for financial control for regarding budget implementation and financial operations. The frequency of audits is determined by the Budget Code.

Following the audits (both internal and external), information is provided to the audited service regarding the infractions that were detected, their causes and conditions and the corrective measures that shall be taken.

In 2013, the MEWR has experienced a dramatic increase in its budget, with an amount of KZT 67.4 bn compared to KZT 14.9 bn in 2012.

However, this increase is the mechanical consequence of the transfer of the department of natural resources and the committees for fisheries, forestry and hunting and water resources to the Ministry. The MEWR's budget in 2013 represents a little more than 1% of total government spending, a lower share than during the 1998-2002 period, when natural resource management was already part of the its functions (see Figure H.1), and an exceedingly low share by international standards.[18]

Figure H.1. **Budget of the MEWR, 1998-2013**



For its 2014 budget, the Ministry has put forward a request of KZT 223 bn, equivalent to 3.5 times its 2013 allocation, although it expects only a small percentage of increase. The gap illustrates the poor connection between strategic planning and budget planning (see Chapter 4) and the resulting absence of a stable financial context for the Ministry (see Chapter 5).

The diagnosis that the OECD made four years ago, when it reviewed the activity of the Committee for environmental regulation and control, remains largely valid:

> *"The reform of budget planning practices is still at a very early stage and, as such, the medium-term budgetary framework remains more of a declaration than an actual policy planning tool. Medium-term fiscal commitments by the government are not binding. Budgetary programmes are not well-justified and are poorly costed. While the government aims at improving transparency and introducing performance-based budgeting, objectives in budget programmes are very generally stated and performance indicators are related to outputs rather than results. Given that there is no separate sub-programme on environmental regulation and enforcement, there is very little space in the Ministry of Environmental Protection's budgetary programme to present even specific outputs related to enforcement activities".*

The Ministry of Environmental Protection uses traditional methods of budgeting which favour controlling inputs rather than results as well as encourage over-reporting of needed resources instead of sound and realistic planning. Other approaches to budgeting that place a strong emphasis on the link between policy objectives and budget planning, based on achievable and verifiable indicators (e.g. performance-based budgeting, task-based budgeting), have been successfully tested in a number of developed countries and are producing good results. The Ministry of Environmental Protection (as well as the Kazakh government for that matter) is moving in this direction but effective implementation of these

approaches is not easy. It requires an overall shift in the philosophy of budgeting and decisions at the highest level of government."

Another conclusion of the mismatch between the MEWR's budget request based on planned objectives and its budget allocation is that even within the frame of its strategic plan, the Ministry's action seems severely constrained by available resources.

Summary assessment and recommendations

The MEWR has undergone important changes in 2012-13. Its functions have been extended and now encompass most central executive responsibilities in the areas of natural resource use, waste management and renewable energy sources. Its staff and resources have been considerably increased with the transfer of the committees for fisheries, forestry and hunting, and water resources, as well as the department of natural resources, from the Ministry of Agriculture – even though the Ministry's new responsibilities in waste management and development of renewable sources of energy have not been matched by new resources. These organisational changes have coincided with the adoption of an important strategic document, the Concept of transition to a green economy by 2050, and the preparation of a draft programme on water management for the years 2014-2040.

In several respects, however, the Ministry's structure and capacities are not yet adequate to the bold objectives of the Concept of transition to a green economy.

First, in several areas that are strongly connected to the environment, such as urbanisation and land use, energy and mineral resources, transportation and in the management of natural and man-made hazards, the role of the MEWR is to provide general information about environmental conditions as an input to other ministries' decision-making process. This does not allow to integrate environmental goals in the government's strategic choices in these areas. In areas of inter-ministerial co-operation, the MEWR is often dependent on the decisions of larger ministries that do not necessarily share its priorities

Second, the most challenging actions envisioned by the long-term strategy documents are sometimes "pushed forward" in the future for lack of proper resources in the short and medium term.

Third, the Ministry's services seem sometimes more focused on procedures and formal objectives than on actual environmental outcomes. As in other ministries, the number of strategic documents and the frequency at which they change generate a considerable amount of administrative work, create some volatility in long-term objectives and orientations, and make it difficult to define priorities.

Fourth, long-standing problems of effectiveness of environmental policy making and implementation have not yet been fully addressed. Environmental impact assessments are seldom conducted with the appropriate level of comprehensiveness and detail, and control and enforcement of compliance with environmental regulations are deficient. The Ministry's departments have a lack of resources and experienced staff, and none of them has overall analytical responsibilities. Research and analysis capabilities have been externalised in subordinate bodies, the division of labour between departments and committees is not totally clear, and interactions between the three types of structures seem limited.

In order to address these weaknesses, the government could consider the following corrective actions:

1. The government should mandate the Ministry of Environment and Water Resources to review and make proposals on the sectoral programmes, strategic plans and general policy documents in the areas of urbanisation and land use, energy and mineral resources, transportation, and natural and man-made hazards.
2. This measure should be backed by appropriate institutional mechanisms (in particular in the governmental planning framework) and capacity-building within the Ministry.
3. The analysis and research capacity of the Ministry should be strengthened and possibly separated from its strategic planning and monitoring functions.
4. The quality of environmental impact assessments should be improved and evidence-based decision making should be generalised.
5. The Ministry should strengthen linkages between departments, committees and subordinate organisations by requiring each type of structure to provide feedback on the work of the others and encouraging staff mobility between the structures.
6. The mismatch between some long-term objectives of the Concept of transition to a green economy by 2050 and the corresponding budget allocations should be addressed.

Notes

1. See Strategic Plan of the Ministry of Environment and Water Resources of the Republic of Kazakhstan for 2011-15, Resolution of the Government of the Republic of Kazakhstan No. 98, dated 8 February 2011.
2. See: International Energy Agency (2013), *CO2 Emissions from Fuel Combustion*. Paris, OECD Publishing.
3. See: World Bank (2013), *World development indicators – Kazakhstan*. Washington D.C., World Bank.
4. http://epi.yale.edu/dataexplorer/countryprofiles?iso=KAZ
5. A review of the OECD in 2006 pinpointed the strengths and weaknesses of the self-control programmes and made recommendations for reform. See OECD (2006), *Modernising environmental self-control by industrial operators in Kazakhstan*, Paris, OECD publishing.
6. United Nations' Economic Commission for Europe (2008), *Environmental Performance Reviews: Kazakhstan, second review*. Geneva, UNECE.
7. Decree No. 466 of the President of the Republic of Kazakhstan, dated 16 January 2013.

8. Responsibility for these areas was transferred from the Ministry of Agriculture to the Ministry of Environmental Protection in 1999 and returned to the Ministry of Agriculture in 2002.

9. The Ministry of Regional Development was created in January 2013 by gathering the Agencies for Land Management and for Construction, Housing and Utilities.

10. For instance, the Code of the Environment requires that all new industrial facilities undergo an environmental impact assessment (see also section IV).

11. www.defra.gov.uk/

12. www.developpement-durable.gouv.fr

13. See OECD (2009), *Securing resources for environmental regulation and enforcement in Kazakhstan: Prospects for improved budget planning and management*. Paris, OECD publishing.

14. Energy consumption per unit of gross domestic product.

15. The Concept was formally abolished by the decree of the President No. 47, dated 13 April 2011.

16. i.e. the possibility that the assurance or quasi-assurance of not being controlled modifies the compliance behaviour of a given entity – hence its level of risk.

17. See, for instance, the (improving) situation in the Kostanaj region as reported in the press (in Russian): www.zakon.kz/4587474-26-poligonov-tbo-v-kostanajjskojj.html.

18. United Nations' Economic Commission for Europe (2008), *Environmental Performance Reviews: Kazakhstan,* second review, Geneva, UNECE.

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