

Majlis passes amendments to the laws on elections, political parties, media and self-governance

Kazakhstan's bid to chair the OSCE in 2010 was a controversial one. Although the political system of the country is relatively benign and liberal in the Central Asian context, there is a clear lack of democratic credentials. None of the parliamentary or presidential elections over the last decade were assessed as "free and fair", or in compliance with OSCE standards¹.

At the OSCE ministerial meeting in Madrid in November 2007, Kazakhstan's foreign minister Marat Tajin promised to push ahead with political modernization and amend legislation on elections, political parties, media and self-governance. It was this statement that contributed to Kazakhstan receiving the chairmanship.

A year later, the government finally introduced the promised amendments, and on 24 December, the Majlis (lower house of Parliament), after a brief discussion and with minor changes, passed them. All that remained was for these amendments to be approved by the Senate and signed by the President. Political parties, NGOs and media representatives were disappointed by the amendments, which they labelled as "cosmetic" and failing to meet the commitments made by Kazakhstan to the OSCE.

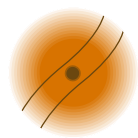
In the wake of the Madrid meeting, a working group of the Kazakh Central Election Commission was established to reform the electoral legislation. Its members comprised MPs, government officials, and representatives of three NGOs and of the opposition political party Azat. The NGOs and Azat proposed discussing a number of specific issues, which they

defined as key issues in terms of reforming legislation: transparency and free access to voter lists; the formation of electoral commissions at all levels to include representatives of all political forces; ruling out electronic voting since this system does not meet transparency and accountability requirements; ensuring the fully-fledged monitoring of the election process with monitors from international and foreign NGOs; and ensuring the transparency of the vote count.

The NGOs developed a number of specific recommendations for bringing Kazakhstan's electoral legislation in line with international standards, and the Azat party together with the OSDP (Nationwide Social-Democratic Party) put forward their own draft law on political parties. Proposals included liberalizing the registration procedure, making the state more accountable for its actions and eliminating the lack of clarity that makes it possible for authorities to refuse to allow parties to register; bringing down the number of members necessary to apply for registration to 35,000 people (according to the law, the organization committee had to submit the lists of 50,000 members of the party, including at least 700 members in each province and the cities of Almaty and Astana); and lowering the 7% barrier necessary to obtain seats in parliament to 3% (these requirements were criticized as being too stiff for a country of 15 million people).

The adopted amendments only partially addressed the above-mentioned issues and recommendations. The registration procedure was modified but the government retained freedom of manoeuvre. The number of members necessary for registration was brought down to 40,000 (600 in each province and in the cities of Almaty and Astana). The 7% barrier was not removed, but a mechanism was created to

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allow the second party into Parliament in the event that only one party was to overcome this barrier. Similarly, the amended law on media contained minor improvements but did not address issues of major importance for independent media in Kazakhstan. The draft law on self-governance did not provide for any autonomy of self-governing bodies from the state government system.

The amendments were heavily criticized. Seven parties representing a broad ideological spectrum and with different relationships with the authorities -some with closer ties than others- made a joint statement expressing their strong disagreement with the new amendments and threatening not to participate in the next elections unless proper legislative reforms are forthcoming. The opposition parties also supported the protests of the media community.

Government adopts anti-crisis programme

Since summer 2008, the Kazakhstani economy has been grappling with the second wave of the financial crisis. Banks lowered credits to the real economy sector. Construction and real estate were hit particularly hard. Many people who had invested in new housing were left without apartments or the opportunity to recover their money fast, resulting in escalating social tension and public protests. Fears of unemployment stemming from slower production are also on the rise

On 26 November, the Cabinet of Ministers adopted the anti-crisis programme aimed at stabilizing the economy. The core of the program was a joint action plan by the government, national bank, financial police and two state holdings (SamrukKazyna and KazAgro). The plan provided for US\$10 billion to be taken from the National Fund and pumped into the economy: US\$4 billion for supporting the financial sector, US\$3 billion for stabilizing the real estate market, US\$1 billion for supporting small and

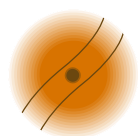
medium enterprises, US\$1 billion for the agricultural sector and US\$1 billion for breakthrough innovation and infrastructure projects.

The government intends to help the financial sector by additional capitalization of the top four banks (Halyk Bank, Kazkommertsbank, Alliance Bank and Bank Turan-Alem) through buying ordinary and preference shares and providing loans. Despite Prime Minister Karim Massimov's statement to the effect that the government does not plan to acquire controlling shares in these banks, there are concerns among the business community that the state (and affiliated private interests) may wish to exploit the difficult situation of the banks. Next year will be a tough one for Kazakhstani banks since they will need to make major payments on external credits. There are plans to stabilize the real estate market with the help of a special mortgage programme to be completed by 31 December 2009. The government plans to spend US\$3 billion from the National Fund and raise an additional US\$2 billion from pension funds. The state will provide people buying housing with low-interest loans, and national and joint-stock companies with state participation will buy new apartments.

Local experts reckon the programme lacks clarity and is partially misguided². For example, injecting money into infrastructure projects and agriculture cannot be considered as an anti-crisis measure. And the proposed plan to support the real estate sector might not bring the desired results.

The new Tax Code

On 10 December President Nursultan Nazarbayev signed a New Tax Code, which will become effective on 1 January 2009. This new code has been brought in line with the International Financial Reporting Standards (IFRS), significantly lowering the tax burden on small and medium enterprises, and increasing taxes paid by subsurface producers.



Corporate income tax will go from the current 30% to 20% in 2009, 17.5% in 2010 and 15% in 2011. Small and medium enterprises are exempted from advance payments. Social tax is fixed at a flat 11%.

Losses to the budget will be compensated by higher subsurface taxation. The stability of all subsurface use contracts is cancelled, barring Production Sharing Agreements (PSAs) signed before 1 January 2009 and contracts approved by the President. Rent tax on oil export rates was set at 0-32%, with higher rates applied to larger amounts exported. The Excess Profit Tax will fluctuate between 0% and 60%. In addition, the new Minerals Production Tax has been introduced to replace royalty tax, with higher rates applied to larger producers.

Kazakhstani producers, particularly small and medium enterprises, welcomed the new code. The businesses involved in the production of mineral resources noted the positive changes but understandably expressed their dissatisfaction with the growing tax burden they will have to support. It remains to be seen whether the new tax regime will lead to the growth of small and medium enterprises, and how it will affect the level of foreign investment in Kazakhstan.

Kazakhstan hosts the informal CIS summit

On 19-20 December, Kazakhstan hosted an informal CIS summit in a resort town near Astana. The summit was attended by the presidents of Russia, Armenia, Kyrgyzstan and Tajikistan. The presidents of Azerbaijan, Belorussia, Moldova, Ukraine and Uzbekistan decided against attending, reflecting the ongoing decline of the organization. The key issues on the agenda were the ongoing financial crisis and security in the post-Soviet space.

As usual, Russia and Kazakhstan took the leading role. President Nazarbayev announced that the Customs Union of Belorussia, Kazakhstan and Russia

would be launched in April 2009. The Russian and Kazakhstani presidents also adopted a Joint Action Plan for 2009-2010, according to which these countries will be required to implement a number of projects in the political, economic, energy, space, communication and other spheres in the next two years.

President Nazarbayev also proposed creating a collective liability mechanism for dealing with violations of non-aggression agreements in the framework of the Collective Security Treaty Organization (CSTO), since current mechanisms do not allow its members to react to challenges and provide regional security, as demonstrated during the Georgia-Russia crisis³. He argued that the CSTO should create its own peacekeeping forces. This idea had already been discussed at last year's CIS summit, but did not make any real headway. The CSTO is riddled with problems, the principle stumbling blocks being the lack of trust among member states and the mixed feelings of other member states towards Russia, the leader of the organization. They want its patronage, but they do not want it to be too tight.

¹ Presidential elections were held in 1999 and 2005, and parliamentary elections in 1999, 2004 and 2007.

² Personal interview with Aytolkyn Kurmanova, expert of the Institute for Economic Strategies - Central Asia, 10.12.2008; Interview with Oraz Jandosov, director of the Center for Economic Analysis "Rakurs", Respublika, 19.12.2008.

³ CSTO is a military-political alliance that includes Armenia, Belorussia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

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