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Faculty of Economics and Management
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Bachelor Thesis

**Corruption and its impact on economy –
Case study of Kazakhstan**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Kirill Raduta

Economics and Management

Thesis title

Corruption and its impact on economy – Case study of Kazakhstan

Objectives of thesis

The objective of thesis is analyze the economical situation of kazakhstan and also examine how corruption undermines the economy development and social life in this country.

Methodology

The methodology involves the study of scientific literature concerning the topic of the thesis, comparative, descriptive analysis, collecting and generalising of statistics data, historical overview.

The proposed extent of the thesis

40 – 60 pages

Keywords

corruption ,impact of corruption,shadow economy, oil.

Recommended information sources

Barnett, H. Morse, C.: Scarcity and Growth: The economics and natural Resources Scarsity. Baltimore, Johns Hopkins Press, 1963

<Corruption in Kazakhstan and who is benefiting from that> K.L. Ahmeedov pl.2007 year, 2nd edition.

Elementary source of Maksim.Ilyasov <Combating corruption in Russia> Published,1995, Edition-1.

Omurzakov, Tursinbek.“The situation with corruption is deteriorating from year to year” 30 Jul. 2014,

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Declaration

I declare that I have worked on my bachelor thesis titled " Corruption and its impact on economy – Case study of Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on _____

Kirill Raduta _____

Aknowledgement:

In that way I would like to thank doc. Ing. Mansoor Maitah, Ph.D. for his lectures which were given to us with a perfect explanation of Economical aspects and it was certainly the motivation for me to wright about corruption which is one of the main aspect.

Corruption and its impact on economy – Case study of Kazakhstan

Summary

The bachelor thesis “Corruption and its impact on economy - Case study of Kazakhstan“ is one of the key problems in Kazakhstan, which has been influencing (economic) growth for over 25 years.

This Bachelor thesis aims to discover how corruption affects the economy and the other aspects of life as well as to see what could be the solutions to the corruption, how to prevent it, how does it undermine a daily life of society, how does it affect society, and is there any affect on the quality of life. As an example and perhaps the main factor of the Kazakh economy, on which the whole economy depends, I took the oil industry to show corruption from all sides.

The work itself divided into 4 parts where each part is aimed at an analysis of corruption and its impact on the Kazakh nation.

The first part is general information about Kazakhstan as well as a background of corruption on Kazakh land and where it has started and why it hasn't been prevented.

The second part will describe the economy of Kazakhstan and will determine what is the key figure of the economy.

The third part is dedicated to showing us the structure of corruption and its impact on economic growth and which types of corruption offenses are influencing the economy, in terms of a global and regional level.

The fourth part is a combination of the overall parts, including a conclusion and solutions to corruption. Also, it aims to answer the question of how exactly Kazakh governors try to eradicate corruption.

Key words: Kazakhstan, corruption, economy, and impact of corruption.

Korupce a její dopad na ekonomiku - Případová studie Kazachstánu

Souhrn

Bakalářská práce "Korupce a její dopad na ekonomiku - Případová studie Kazachstánu" je jedním z klíčových problémů v Kazachstánu, který ovlivňuje (ekonomický) růst již více než 25 let.

Tato bakalářská práce si klade za cíl zjistit, jak korupce ovlivňuje ekonomiku a ostatní aspekty života, a jak vidět, jaká by mohla být řešení korupce, jak ji předcházet, jak podkopává každodenní život společnosti, jak to ovlivňuje společnosti a má vliv na kvalitu života. Jako příklad a možná hlavní faktor kazašské ekonomiky, od níž závisí celé hospodářství, vzal jsem ropný průmysl, aby ukázal korupci ze všech stran.

Samotná práce se dělí na 4 části, kde každá část je zaměřena na analýzu korupce a má dopad na kazašskou zemi.

První částí jsou obecné informace o Kazachstánu, stejně jako pozadí korupce na kazašské zemi, kde se začalo a proč nebylo zabráněno.

Druhá část popisuje ekonomiku Kazachstánu a určí, jaká je klíčová postava ekonomiky.

Třetí část je věnována ukázání struktury korupce a jejího dopadu na ekonomický růst a jaké druhy korupčních přestupků ovlivňují ekonomiku v celosvětovém a regionálním měřítku.

Čtvrtá část je kombinací všech částí, včetně závěru a řešení korupce. Cílem je také odpovědět na otázku, jak se přesně kazašští guvernéri snaží vymýtit korupci.

Klíčová slova: Kazachstán, korupce, ekonomika a dopad korupce.

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“Corruption will always flourish in the darkness of totalitarianism, authoritarianism and dictatorships - regimes that limit the power in the hands of a few unaccountable individuals. By definition, absolutism and dictatorship are limited to lower ethical requirements than democracy. In totalitarian regimes, corruption is often directly linked to human rights violations. In Latin America, many of the dictators over the years to justify its rule, referring to the corrupt regimes of the recent past. These same dictatorships were often only a facade for thieves and embezzlers. And in each of these cases, citizens and journalists were deprived of legal leverage exposure of arrogance and corruption of his government by competent and credible legal system. At the same time, it is best to expose corruption, as well as to carry on with her struggle in a democracy. Corruption can be eradicated and explore in an environment of pluralism, tolerance, freedom of speech and personal safety - an environment that only democracy guarantees” - [Dr.Oscar Arias Sanchez-President of Costa Rica].¹

¹ Corruption in Kazakhstan: Legislative and Organizational-Legal Measures to Prevent It and International Experience, 2014.

1. Introduction

The Republic of Kazakhstan is a transcontinental country in Central Asia with an area of 2,724,900 square kilometers overall. The main capital is Astana. The ninth largest country in the world, Kazakhstan is officially a democratic, secular, unitary, constitutional republic with a population of over 17.5 million people and sharing borders with Russia, Uzbekistan, China, Kyrgyzstan, and Turkmenistan. Nomadic tribes inhabited the territory of Kazakhstan years ago, although this changed in the 13th century when Genghis Khan came and took over the country as a part of Mongolian Empire. Since then, Kazakh emerged as a distinct group and has divided into 3 different hordes.

The reason for describing the historical part of the Kazakh nation is simple. According to history, there were 3 different hordes: “Higher Horde”, “Middle Horde”, and “Lower Horde”. Each of the hordes had their own dictator (khan). All of the dictators were brothers and each of them had their own responsibilities. The Lower Horde was under Kart-Abulhair-Khan (1718-1748). The Middle Horde was under Semeke-Khan (1719-1734). The High Horde was under Abulhair-Khan (1718-1748). According to the history, the second dictator in the High Horde was Abulhair-Khan’s son Nuraly-Khan. The corruption movement has been in place since then. Nuraly-Khan was one of the leaders of the High Horde and that’s because he was relatively closer to Abulhair-Khan. During this period, the Kazakh feudal society responsible for corruption, in the way we perceive it today, was not provided. However, before the accession of Kazakhstan by Russia, corruption manifested in legitimate institutional forms (when some members of the nobility offered the obligatory character of feudal duties). Thus, the simple farmers were in favor of the khans, sultans, beys, and other members of the nobility regularly collecting taxes (ushur-ten percent of the harvest). Pastoralists’ taxes paid zakat a certain number of a particular type of livestock. Those in favor of the feudal elite gathered natural gifts in the form soguma (raw meat) or Sybaga (boiled meat). In addition, there were all kinds of gifts to representatives of the nobility and aksakals.

Thus, according to the description of the Kyrgyz customs having the force of law in the Horde-Sogum made in the autumn, it is used at the base of it-Sultan Khan could live a whole winter depending on people’s wealth. Thus, it confirms that nepotism (a term which belongs to corruption) promulgated years ago.

2. Objective and methodology

The purpose of the thesis is focused on showing the current problems of corruption and how it affects the nation of Kazakh people. It also shows the inner problems of the country and a power of authorities and government. How bureaucracy controls the function of the whole country.

As per our discussion with Oleg Gaibulin, one of the governors in the Kazakhstan, City Kostanay, once mentioned. - The higher the level of economic level (GDP per capita) the less chances of officials to restore to illegal methods of making profit, the stricter anti-corruption measures and the stronger civil society.

How law enforcement agencies create rules that do not coincide and contradict each other in different branches of business (business, schools, clinical institutions, even the sports industry).

Thus, I will describe the following objectives:

- Explaining the background of Kazakh nation.
- Where is the main channel of corruption?
- Economy of Kazakhstan and what is that based on.
- SWAT analysis will be shown in order to compare pros and cons.

3. Literary research

3.1 What does corruption mean?

The problem of corruption has become a worldwide problem because it is common to all countries, regardless of their political system and level of economic development. It can also be found in democratic countries with market economies. Corruption has a big impact on all spheres of society: economics, politics, the social sphere, etc., and the negative consequences arising from this phenomenon not only hinder the progressive development of society, but also pose a real threat to the national security interests of our state.

3.1.1 Types of corruption

- Bribery, receiving illicit proceeds (extortion, kickbacks).
- Theft and privatization of public resources and facilities.
- Misappropriation (forgery, falsification, theft, misappropriation of money and property through deception), misuse of public funds, embezzlement.
- Nepotism or cronyism, favoritism (appointment of family and friends to posts and positions).
- Promotion of self-interest, collusion (giving preferences to individuals, conflicts of interest).
- Acceptance of gifts to accelerate problem solving.
- Protection and concealment (protection racket, perjury).
- Abuse of power (intimidation or torture).
- Control manipulation (falsification of elections, decision-making in favor of one group or Person).
- Electoral violations (vote buying, falsification of election results).

- Rent seeking - extortion (civil servants illegally set fees for services or artificially create a shortage).
- Clientelism and patronage (the policy of providing material services in exchange for the support of citizens).
- Illegal contributions to election campaigns (sending gifts to influence the policy content).

“The main and the most frequently reported criminal offenses manifestations of political corruption is bribery (art. 311 of the Criminal Code) and its reception (Art. 312 of the Criminal Code)”²

I suppose bribery is only one aspect of corruption, but it is the easiest act to assign a numerical cost to and to associate with illicit activity. The aspect of human nature that drives corruption into a downward spiral is greed.

Corruption - a social phenomenon which consists of the expansion of society and the state as civil servants, persons authorized to perform state, and other management functions, including the private sector, use his official position, status and authority of his position against the interests and the established norms of law and morality for personal gain or group interests.

3.1.2 Characteristics of corruption.

That indicates that state corruption has certain characteristics:

- This is primarily a social phenomenon that has no precise legal definition; ultimately, it leads to the expansion of civil society and the whole state when the acts of corruption are the daily norm of society.
- Having a certain range of subjects of the offense (it is, above all, civil servants, persons authorized to perform public functions, as well as persons authorized to perform administrative functions in the private sector).

² Kluwer Law International, 2012.

- Use of these entities (by act or omission) of his official position, its legal status and the authority of his position (and not the authority of its own as a citizen, namely the authority of the post), contrary to the interests of the service (i.e. public service and in the private organizations sector) and the established norms of law and morality.
- Activity of aforementioned entities in order to enrich themselves and in the interests of other persons or corporate interests.

It seems that the definition of the concept of corruption and the establishment of its specific manifestations should be based on an understanding of the social nature of this phenomenon. The essence of corruption is that it distorts public relations and disrupts the normal order of things in the community, resulting in: "Corruption", "corrosion" of power. Speaking figuratively, corruption in the functioning of the state and society puts everything on its head: the power, the carrier and the only source of which is the people, began to be used to the detriment of the state and society. Corruption involves the use of power and related opportunities that are not in the public interest, nor in the interests of individuals or in the interests of a certain group of individuals. In other words, corruption involves the improper operation of public power for private benefit. A corrupt person or other persons - in whose interests' acts of corruption are committed, inappropriately, occupied only by such a person -receive certain benefits, privileges, advantages or other benefits. Moreover, this benefit does not necessarily need to wear a pecuniary nature, although in our country there is a law of the Republic of Kazakhstan from July 2, 1998 "On Combating Corruption", as there are variety of programs to combat corruption, in particular, the State Anti-Corruption Program for 2006-2010, which was adopted in accordance with the decree of the President of the Republic of Kazakhstan. Another program, which is still in use, is the Sectoral Programme on Anti-Corruption for 2011-2015, approved by the Decree of the Government dated 31 March 2011. Also in the Criminal Code of the Republic of Kazakhstan, 16.06 1997 provides for a head of corruption and other officials in charge of blunting the effects of corruption.³

In my opinion, one of the main causes of corruption in the development of Kazakhstan (in addition to the traditions which have already been mentioned) is bureaucracy - ("from the French bureau - the Bureau, and the Office of the Greek kratos - power"):

³ Kazakhstan began exporting oil from its largest field, 2016.

- Either high bureaucracy or in the administration.
- Management system based on the formalism of administrative red tape.⁴

An example of this is the fact that in order to receive a document, people have to run around the set of corridors and positions of persons that contribute to the development of corruption in the bustle of the various inquiries and confirmations, and they simply get confused and it becomes easier to pay officials to address the issues; i.e. reduction of bureaucratic mechanisms of pressure. In my opinion, corruption can be simply reduced but the main aspect that influences corruption is a lack of knowledge of rights by the citizens. It is necessary to ensure good conditions for learning available to citizens about their rights, teach people to understand their rights and the law. Since, ignorance of their rights by citizens draws them towards legal nihilism - ensuring that the citizen is no longer sure that their rights are sufficiently protected and no longer believe in the rule of law - and denies them their rights without any use of official's threats, pressure, and other techniques that are not permitted by law.

In addition, it should be noted that it would be necessary to think about what you need to encourage officials to ensure that they were not seen in the corruption crimes. In my opinion, there are not enough mandatory criminal sanctions. So, for example, if the authorized person dealing with the collection of fines is allowed to take a certain percentage, considering small percentages the fine written out by the officials so if we take the future salary increases into consideration we would be able to reduce corruption crimes more effectively. Note that corruption cannot be completely overcome. Since corruption has its origins in traditions and customs, as well as you know the traditions and customs cannot be changed, but it is possible to instill new ones and in this sense we will, as previously I mentioned legal education, our task is to ensure that everyone knows the constitution and their rights, and did not apply to the constitution and the law in direct collision with them, you need to ensure that the least knowledge of their rights and freedoms has become common-place, today it is the same thing as knowing your name.

The question is how to achieve such knowledge of the rights and freedoms of citizens. It should be at school to teach constitutional norms and as widely as possible, because it is school that opens the door to adulthood. Existing textbooks give only generalized knowledge. We need to make sure that students finishing school might already be protected from unlawful attacks on

⁴ Olken, Pande, 2012.

his/ her rights, they must know who to contact in case of an infringement on their rights, knowing their duties to the state.

Start this new school year, which will coincide with the beginning of the implementation of the "100 concrete steps". Are the students and their parents ready for anti-corruption lessons?

“Corruption and the fight against it” has entered the category of "evergreen", and then the informational agenda of government agencies and the media has been stated in 2016. Citizens, sharing the conventional position of criticism and rejection of corruption, one way or another, often themselves are members of corrupt actions. Obviously, the roots of the problems and the sources of solutions are included in social features and also in a quality of social life in the country.

3.2 Uneducated nation

In developed countries, fighting corruption is not only "from above" - through the adoption of laws, the use of various administrative measures, but also "from below" - through education of citizens, instilling in them the skills of anti-corruption behavior, explaining their rights and responsibilities, improving the overall legal literacy. Supporters of anti-corruption education based on the fact that on their own forms and instruments to combat bribery cannot have any effect, if there is no society in which people do not accept corruption and are willing to actively oppose it. Educational projects have been initiated against corruption and keep developing in Lithuania, Denmark, Poland, Australia, Indonesia, Bulgaria and other countries.

Projects involve people of different ages, both in secondary schools and in higher education, special aids designed for an even wider and adult social circle. Such an evolutionary educational way changes the existing situation. In the context of Kazakhstan, the first requirement is a consistent installation activity for a long period of time. Secondly, obviously, the only party entitled to sufficient resources for the implementation of such activities would be the authorities. They must start with themselves.

“Corruption in Kazakhstan is enhanced due to the instability of the economy.

Kazakhstan advanced in the index of perception of corruption from 123rd to 126th”⁵
This article describes and underlines the impact of corruption on social life and on the life of the whole country.

⁵ Corruption in the Republic of Kazakhstan is Intensified Due to the Instability of the Economy, 2016.

“Also mentioned is a serious increase in the use of corrupt practices on the part of foreign companies operating in Kazakhstan. According to the latest World Report Transparency International on corporate corruption, more than fifty of the largest global companies that operate in Kazakhstan, do not disclose information on income which they receive in Kazakhstan, information about taxes they pay is not fully disclosed to the field of information activity and their relations with the state. All this may indicate the presence of a serious risk to the investment attractiveness of Kazakhstan, on which the country's government "is working hard", - noted in the study.⁶

It should also be noted that the problems that are identified on the basis of the study in 2015 in Kazakhstan, remain generally the same, and are connected with the need to solve problems in the field of Law Enforcement, to leveling the risks associated with the growth of the shadow economy, and the strengthening of democratic procedures in the public administration system. I assume that these unresolved problems will contribute to the growth of corruption and the effect on the public could be seen soon.

The situation with the corruption is getting worse and worse year-by-year. According to data from the Agency for “Combating Economic and Corruption Crimes” (Financial Police) in 2013, there were 1847 corruption crimes.

“In some cases, bribes - this is the only way to obtain a public service; 33% paid bribes to expedite the process of providing services; 8% of respondents have tried to bribe to get services at a lower cost, and 39% paid a bribe in the form of gifts or thanks.”⁷

As we all know, after the Soviet Union collapsed in 1991, each state accepted their sovereignty and independence. In Kazakhstan, there was a principle that occurred right after the collapse and the whole nation started to rely on the principle. The principle was “Money can solve everything”. There were many violations against the law, which were observed in all spheres of society, ignoring the law, permissiveness in the behavior of many people, including government officials.

⁶ Government of the Republic of Kazakhstan, 2016.

⁷ Omurzakov, Tursinbek, 2014.

3.3 Impacts of the corruption

- Corruption spoils and damages an investment climate. Small or private businesses have no choices but to get a profit as quick as possible or a super-profit in unpredictable conditions thus the conditions for long-term investments are not available because the fluctuation of profit changes month by month, leading to no stability.
- Corruption paralyzes the action of small and medium-sized businesses. Annually, there are billions of tenge lost to corruption. According to the Agency of financial police of the Republic of Kazakhstan for 9 months of 2008, the amount set damages in completed criminal cases on corruption crimes and crimes in the sphere of economic activity amounted to 192.1 billion Tenge (192,000,000,000 Tenge – 548,571,428.571 USD)

The GDP of Kazakhstan for a year of 2015 equals to 184,000,000,000 USD.

$(548571421,571 * 100\%) / 184000000000 = 0.2981\%$ of the GDP. That is almost 30% of the entire GDP.⁸

- Corruption also has a negative impact on the national economy of the country, presetting honest businessmen at a disadvantageous position compared to those who are corrupt, undermining competition in the domestic and foreign markets. For example, according to the Kazakhstani scientists, corruption increases the cost of goods and services in Kazakhstan by nearly 50%, which is something the entire population of the country suffering from.
- According to statistics, the proportion of corruption crimes is only 0,95-1% of the total number of crimes in our country. The vast majority of offenses of corruption (especially bribery) is hidden and is not registered. That is why the number of cases of corruption in the official statistics is incomplete and fragmented. This is confirmed by the results of our survey of 560 employees of the Financial Police of the Republic of Kazakhstan. 96.4% of respondents said that not all corruption offenses are recorded and only 3.6% of respondents said that all corruption offenses are recorded. Among the hidden crimes of corruption, according to respondents, the most frequently committed are as follows: abuse of power (60.7% of the respondents pointed to the crime), embezzlement of entrusted property, committed by a person authorized to perform state functions, or an equivalent person if they involve the use of an official position (60.2% of the respondents pointed to the crime), taking bribes (47.2% of the respondents pointed to the crime), bribery problem (44.5% of the respondents pointed to the crime) , forgery (37.1% of the respondents pointed to the

⁸ Kazakhstan GDP, 2017.

crime), abuse of power or official authority for the purpose of deriving benefits and advantages for themselves or other persons or entities, or harm another person or entity (35.4% of the respondents pointed to the crime). Overall, 40.4% of respondents reported a high level of latency of corruption crimes, 40.2% - average and only 7.5% of respondents indicated a low level of latency of these crimes.⁹¹⁰¹¹²

⁹ Maksimov. S.V. 2000.

¹⁰ См.: Максимов СВ. Коррупционная преступность в России: правовая оценка, источники развития, меры борьбы //Проблемы борьбы с коррупцией. Сборник статей. - М.: ЮрИнфор, 1999. С.24.

¹¹ Там же С.25.

¹² См. : Криминология. Учебник для вуза / Под общ. ред. А.И.Долговой. М., 2000. С.236.

4. Practical part

4.1 Economy of Kazakhstan

The economy of Kazakhstan is the largest economy in central Asia. In this chapter I will describe the power of the economy of Kazakhstan. The Republic of Kazakhstan is an agrarian-industrial country. Gross national product per capita is 1997 dollars for the year of 2004 although in 2016 GDP per capita equals to 7.138, which has tripled.

The most difficult problem in this country is a substantial rearrangement of the structure of the economy in order to build up the final phase of the production process. During the Soviet Union years, Kazakhstan specialized in commodities and semi-finished products, which are then used at the enterprises of Russia and other republics. The feasibility of creating a complete production cycle is due, above all, to greater profitability of exports of finished products than on raw materials. Therefore, the restructuring of the Kazakh economy is an inevitable phenomenon. This process requires a lot of additional investment. Foreign investors also prefer to invest in the extractive industries (oil, gas, non-ferrous metals, and so on.), So funding the accelerated development of the manufacturing industry has been slow, and the process of optimizing the economic structure can take several decades. And, as a result, Kazakhstan will stick to its specialization in commodities for a long time yet.

4.2 Economical aspects.

Overall, according to the Kazakhstan Ministry of Oil and Gas, proven hydrocarbon reserves, both onshore and offshore, are estimated to amount to 4.8 billion tones, or more than 35 billion barrels, while as of 2001 the explored in-place reserves of oil were only 2.9 billion tones. Furthermore, according to some experts, there are probably more reserves of oil in fields located in the Kazakh section of the Caspian Sea, which may be over 17 billion tones or 124.3 billion barrels. Given the oil and gas reserves as well as the ever-increasing production volumes, in the foreseeable future, Kazakhstan is likely to remain among top oil producers.

According to the Ministry of Oil and Gas, oil production in 2011 amounted to 80.1 million tones. Let us put this in perspective: in 1998, oil production was fixed at 25.93 million tones. With 39.5 billion cubic meters produced in 2011, Kazakhstan remains a top natural gas producer among the CIS countries.

2,146.9 thousand tons of liquefied petroleum gas was produced last year by oil and gas processing companies in Kazakhstan. Domestic consumption of gas was 10.179 billion cubic meters.

Refinery throughout domestic refineries amounted to 13.7 million tones, of which gasoline was 2.76 million tones; diesel fuel, 4.06 million tones; oil, 3.66 million tones; jet kerosene, 387.1 thousand tones. This being said, according to the KazMunaiGas Refining and Marketing in 2011, the volume of oil refining was 4.47 million tones at the Atyrau Refinery, 2.3 million tones at the PKOP plant (Chimkent refinery), and to 4.6 million tones at the Pavlodar refinery.

Kazakhstan exports some crude oil through a pipeline. In 2011, oil exports amounted to 69.61 million tones including through the following oil pipelines: Atyrau-Samara, 15.43 million tones; CPC, 28.44 million tones; Atasu-Alashankou, 10.89 million tones. In money terms, oil exports were equal to US \$55.2 billion, accounting for 62.5% of the total exports of Kazakhstan. The volume of gas exports from Kazakhstan in 2011 amounted to 8.15 billion cubic meters. The volume of international gas transit across Kazakhstan for the same period amounted to 96.67 billion cubic meters: From Russia, 62 billion cubic meters; Turkmenistan, 26.5 billion cubic meters; Uzbekistan, 8.2 billion cubic meters.

In the future, the volume of oil and gas in Kazakhstan is expected to grow significantly. The growth of oil and gas production in Kazakh can be linked to the following three factors. First, it is due to a significant influx of investment. Second, it is due to favorable world market conditions for crude oil production. Finally, a large-scale study of the subsoil areas in the Caspian and Aral Seas will contribute to further, additional resources.

According to The Oil and Gas Information and Analysis Centre, a subsidiary of Contract Agency, the total number of people involved in the oil and gas industry is 71,336, including 2,431 expats.¹³

Taking into consideration that Oil and Gas is the leading economic sector, Kazakhstan has the potential to be a world-class oil exporter in the medium term.

"Kazakhstan occupies 12th place in the world oil reserves and 21th largest gas reserves. This means that the oil sector of Kazakhstan has already entered thirty developed countries on oil

¹³ Oil and Gas Sector, 2016.

reserves. Our plans in 2020 is to enter the production level of up to 2 million barrels per day, and we will get into the top ten oil and gas producers in the world ", - F. Mamonov.¹⁴

According to his opinion, the oilman profession is a profession of a true patriot.

In addition, according to the minister, for the 20 years of independence, oil production has increased more than 3 times, gas production more than 5 times.

Kazakhstan's economic future is linked to Oil and Gas development. Essentially, GDP growth will depend on the price of Oil as well as an ability to develop new deposits. Kazakhstan's economy experienced a recession in 1998 with GDP growth slowing to 2.5% due to a sharp drop in oil prices and the financial crisis in August in Russia. A bright spot in 1999 was the restoration of world oil prices, which, in combination with the devaluation of the tenge and timely harvest of grain, pulled the economy out of recession.

The size of GDP per capita fell by 26% in the nineties. However, since 2000, Kazakhstan's economy has grown rapidly, fueled by the growth of prices on world markets for the main export commodities - oil, metals and Kazakh grain. Kazakhstan's GDP grew by 9.6% in 2000, compared with 1.7% in 1999. Since 2001, GDP growth in Kazakhstan was one of the highest in the world. In 2006, very high GDP growth rates were stable, and the index has increased by 10.6%. In the crisis year of 2009, GDP growth in Kazakhstan amounted to 1.2%. In 2010-2013, the country's economy grew by more than 5.0% annually.

The average price of Brent crude oil for the first 11 months of 2015 amounted to \$ 55 / barrel, which is a very low price, even compared to the crisis year of 2009 when the average price was \$ 63 / barrel. According to analysts, the main reasons for the fall in prices were: strengthening of the US dollar, and the overproduction of growth in oil reserves. These factors are added to a slowdown of the Chinese economy and the removal of sanctions on Iran in 2016, all of which puts pressure on the price of oil. During 2015 the export of oil in Kazakhstan amounted to 26.7 billion dollars. The largest buyer of Kazakh oil company Eni was Italy, which, in 2015, bought 17.9 million tons for 7.9 billion. The second-largest steel company in the Netherlands became an importer, purchasing 8.8 million tons last year and paying 3.7 billion dollars.

4.3 Export of oil to the other countries

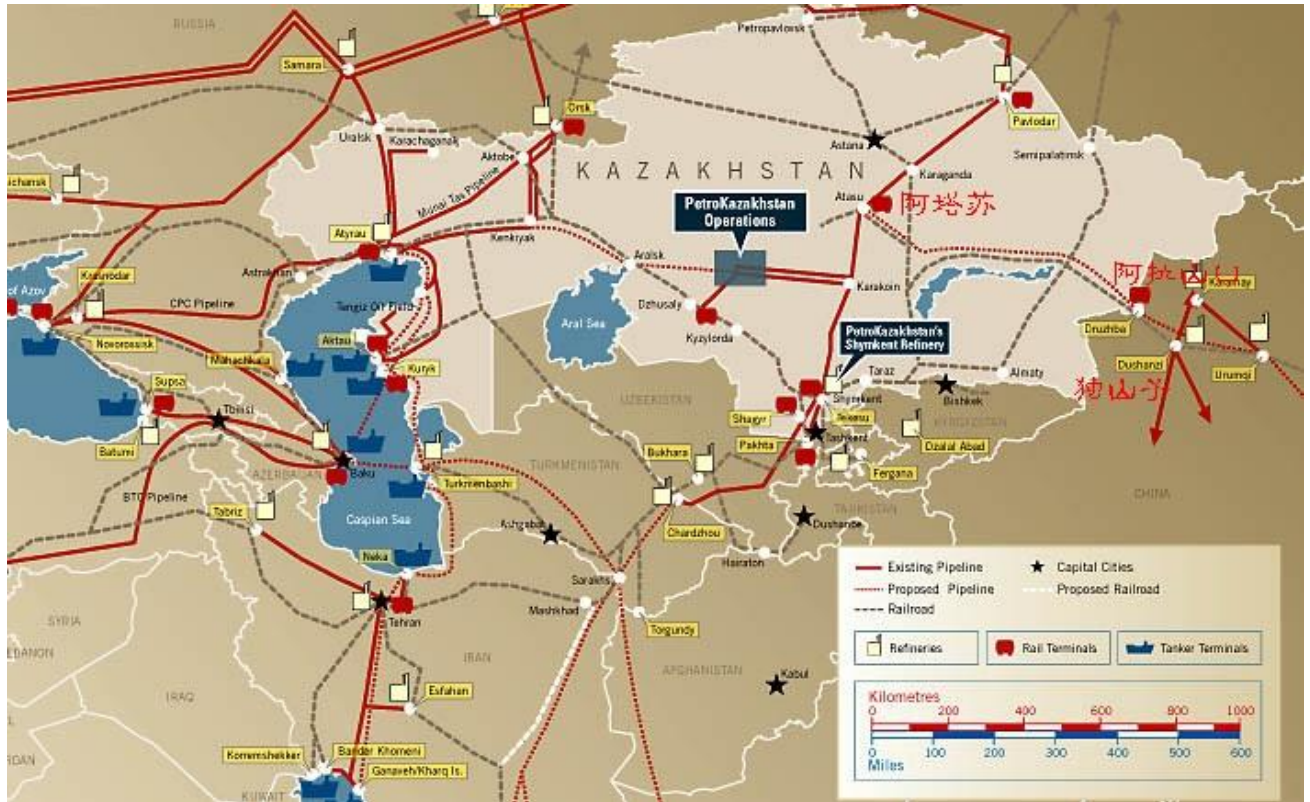
Switzerland and France have bought 5.9 million and 5.5 million tons of oil respectively (2.3 billion and 2.4 billion dollars). In addition, large supplies of oil in our country are carried out

¹⁴ Kazakhstan ranked 12th in terms of oil reserves in the world, 2015.

in Romania (3 million tones), Greece (2.7 million tones), Spain (2.5 million tones) and Russia (2.3 million tones).

4.4 Existing pipelines of oil connects

Image 1 Existing pipelines of oil connects.



Source: <http://www.knak.jp/china/sinopec-2.htm>

Moreover, they continue, since 74% of Kazakhstan's exports accounted for mineral products, 64% of which was oil and oil products, and the total exports had fallen by 42%, the country was in a difficult position.

Thus, with the price of oil next year maintaining the current level of \$ 40 / barrel, the export may be reduced to \$ 40-45 billion, which is the lowest figure since 2009. To this should be added to a reduction in imports by 24% due to the import of machinery, equipment, appliances, etc. Total turnover for the first 9 months of this year decreased by 36% compared to the same period last year. In this case, the net proceeds from the turnover decreased by 60% or \$ 19.1 billion.

"As a result, the current account of Kazakhstan in January-September 2015 turned negative, falling to \$ 10.1 billion to \$ 4 billion - calculated in the BCC Invest.

The negative current account has a negative effect on the tenge exchange rate, and can also adversely affect the investment attractiveness of the country. "¹⁵

According to company forecasts, real GDP growth on the basis of 2015 will remain at the current level of 1%, with growth of 2.2% in 2016 as forecast by the International Monetary Fund. Tenge will be linked to oil in 2017. It will totally depend on the price of oil per capita. In August of this year, The National Bank let the national currency exchange rate in the "free floating", resulting in a collapse of the tenge by 54%. As noted in the BCC Invest, the main factors of devaluation became the price of oil (2/3 of Kazakhstan's exports of oil and oil products) and exchange rate (about 20% of total turnover).

Since oil prices are expected to remain low, the authorities are considering strategies for sustaining the fiscal consolidation. The current adjustment plan relies heavily on cuts to on-budget investment spending, which were reduced by about 2 percent of GDP between 2014 and 2015 and are expected to decline further to about 3.7 percent of GDP in 2017. The authorities are working to enhance the efficiency of the public investment program through various reforms such as an adoption of new cost norms and revising the law on private-public partnerships in an effort to leverage the impact of limited public resources for an increased development impact. The authorities are also implementing customs and tax administration reforms designed to boost non-oil revenues. At the same time, they are considering tax policy measures to enhance non-oil tax revenue. Eliminating loopholes and tax incentives provided under the various public programs could yield significant revenue gains. Finally, to ensure sustainability of the consolidation the administration has pledged, and per President Nazarbaev's mandate, to keep withdraws from the

¹⁵ Kazahstan v 2016 godu neft ekonomika i kurs tenge, 2016.

oil fund to the guaranteed amount, foregoing and additional “targeted” withdraws until 2018. This commitment encompasses both on-and off-budget expenditures. Oil and gas contributes around 30% of Gross Domestic Product (GDP), 70% of exports and 20% of budget revenues. 2 giant fields at Tengiz and Karachaganak produce 40% of Kazakhstan’s total output. Future production will be dominated by the Kashagan field.

4.5 Owner of Kazakh oil

Image 2 Shares of oil companies in (%).



Source: <http://bintel.com.ua/ru/article/kazahstan-ot-central%27noj-azii-do-evropy/>

What is the main factor in dropping oil prices and how to stimulate it?

It is clear from the many examples that natural resources have no value if they are not being domesticated. In the case of Kazakhstan, the development of deposits depends on substantial inflows of foreign direct investment, as domestic financial resources in the country are limited. In particular, now the influx of investments in the oil and gas sector of Kazakhstan amounts to US \$ 3-4 billion a year, and Fitch expects that in the foreseeable future it will also remain essential.

Kursiv.kz took a picture of the display from today's exchange rate "Savings Bank" - one dollar at a price of 200 tenge. It's funny that the "Savings Bank" rolled out the price of the euro at

a rate of 260 tenge. However, this is not the highest price tag, discovered by kursiv.kz on currency exchange market. TSB sells for 210 USD, and EUR 280 m. Yet this is not a record - "Alliance" sell the dollar and euro 215 282.9 tenge and ruble 6,331 tenge.^{16 17}

Image 3 Currency collapse in 2014.



Source: <https://www.kursiv.kz/news/finansy/Vtoraya-devalvatciya/>

Indeed, the whole nation had experienced the collapse of the tenge in 2015, 20th of August. Since then, all private companies cut off 30% of employees, leading to the devastation of the whole nation.

National Bank devalued the tenge and again and again referred to the crisis of the world economy, the "bad" dollar, and other reasons. Among the main reasons is the poor economic

¹⁶ Naumov, A. Corruption: causes, influences and methods of struggle, 2009,

¹⁷ Mazitov, Ayrat, 2015.

situation in the BRICS countries, capital flows from developing countries, and the free formation of the exchange rate of the Russian ruble. Last year, total imports in Kazakhstan Russian goods occupied 36.2 percent. Export of Kazakh goods to Russia was more than three times less than that amount.

Also, it referred to the balance of payments, where import growth is observed, mainly due to imports of consumer goods. Experts say that more and more, Kazakhstan is beginning to depend on the import of consumer goods. At the same time, their own small and medium businesses.

The Kazakh tenge had been devalued by 50%, so 15 of August Kazakh Natbank, which had expected that, froze all the USD dollars on Kazakh and, because of it, people were not able to buy USD dollars very next day and change them in order to make easy profit. So this literally shows improper actions on behalf of Kazakh Natbank, considering the fact the their logo is “Your success is our duty”.

The reason for the devaluation was the global financial crisis and the collapse of prices for the main export commodities of Kazakhstan - oil and metals. The Kazakh nation started to depend on the Russian ruble.

First, you need to understand what the government wanted to achieve. Its key task is the country's budget, which is sensitive to oil prices. When prices fall, to perform nominally profitably, it is necessary to devalue the currency. This manipulation of the numbers is achieved. If the task, however, is to stimulate the economy, it is not achieved.

Why has the devaluation happened? There are a few explanations of that.

- As mentioned, the export of oil and gas has decreased
- There is a reduction in investment activity.
- The tax base has been reduced.
- The unemployment rate in July 2016 grew by 1.3 per cent to 452.3 thousand people. In July 2015 the number of unemployed was 446,000.

In conclusion, the Government of the country should have started to actively develop non-primary sectors of the economy such as:

- tourism
- services

- IT
- small and medium business
- agriculture
- Industry on the basis of its own raw materials.

None of this has been done yet. Kazakhstan has never gotten off the oil needle.

This means that we still have no influence on its economy. And we should expect a new devaluation, if oil suddenly drops in price, which is possible in 2017.

Since the oil and gas are the leading factors of the Kazakh economy, we could say there is a lot of money going around this sector, hence corruption also has its own place in this sector as well.

Many wonder:

- Who owns the oil in Kazakhstan?
- How much oil is produced with a Chinese company registered capital?
- What is the financial return on investment of the Chinese?

By analyzing information from open sources, I will try to give you the balance of the current situation around the oil produced in Kazakhstan.

Firstly, according to the Constitution of the Republic of Kazakhstan, land and underground resources are State property, ie, it belongs to the people of Kazakhstan. An oil producing company only has the right to develop deposits and the profit that remains after the costs of production, transportation, sale, deductions for Kazakhstani royalties, taxes, duties and other payments from the oil produced.

Well, if the oil on the constitution of the people, then where is our share?

The governor “ Ilyas Bulaeev” once said.

“You try to extract this oil!”

“I will see how much of your own money you will spend on sources in order to extract and clean the oil and share the profit for it with somebody else. Human beings are greedy. That is a natural fact” – Up to a point, I would totally agree with him, as it has been mentioned earlier in

chapter one, human beings are greedy indeed. People do their best only for their own profit also. There will never be a communism like there used to be.

The Kazakh nation also wants to live as Arabs, lying on the couch, wanting to generate revenue from oil, having no idea how much money and labor is needed for its withdrawal from the depths, and under what conditions the state has entered into contracts with foreign investors.

“We are never going to live like Arabs because the Arabs sheikh thinks about his people and the whole nation wisely and ours does not think at all” - Unknown comment. (Almazinho1978)

There is no light oil in Kazakhstan: hydrocarbons contain huge amounts of hydrogen sulphide (up to 18%), paraffin, deep deposits (5000-6000 meters).¹⁸

The distance from the intersection of Abay-Dostyk to Abay-Rozybakiev is approximately 5000 meters. Now imagine how much effort and resources need to be used to drill a vertical hole 5,000 meters deep. So, that would be the second reason why the Kazakh nation will never live like Arabs: knowing how much hard work it takes does not concern anybody.¹⁹

Lately it has been mentioned by “Vladimir Ni” director of corporation <XOZU> sitting in Almaty, that without corruption, the Kazakh nation wouldn’t have succeeded at so many things; that without bribes, it wouldn’t be possible to get such results. As he mentioned, “small and medium businesses function because corruption makes things faster and more effective. Owners of companies know the way to earn money and pay this back to their employees. In every single country, every single deputy or legal entity would agree with me, since all of them had huge successes in the business world. I will be fully right to say that at least once, all of them gave a bribe to a person in order to accelerate a documentation process. extr.”

I assume in some way “Vladimir Ni” is right.

¹⁸ Kazakh Barrel or Who Owns the Oil of Kazakhstan, 2016.

¹⁹ Klevtsova Anna, 2016.

4.6 GDP of Kazakhstan

Graph 1 GDP of Kazakhstan



Source: www.tradingeconomics.com

The GDP for 2015 was 10616.7, although for the last 10 years the Kazak nation does not feel any difference whether it has decreased or increased, Regardless, the quality of life is still the same. An example would be that the price of a ticket for public transportation. In 2012, it was 50 tenge, today the government has increased the price by 30%, to 80 tenge. But, the income value in 2012 was 60.000(184,4 USD) tenge to 130.000 tenge (398.7) and it is still the same. The equivalent 1USD = 326 Tenge.

Beginning in 2015, the Eurasian Economic Union has been accepted by Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan, which simplifies a trading zone between all the mentioned countries and sets up regulations for trading with other countries. Five countries together constitute too small a market to erect tariff walls against external competition. They would lose the benefits of improved technology from advanced countries and would rely on high priced production from within the Custom Union.

How exactly a corruption influence social life and economy of the entire country?

The World Bank classifies and divides corruption into two species: the administrative and the so-called "state capture." State capture ("privatization") involves actions of companies (both private and public), some groups or individuals, to ensure the benefits, the advantages of individual firms, industries or a rather narrow circle of persons, by influencing laws, decrees and other

elements of the state policy. As a result, the government does not act in the general interest. Administrative corruption, which has the same goals and rules, means "the intentional introduction of distortions in the implementation of laws and regulations." This type of corruption is measured by the share of income funds that are spent on bribes to firms and companies. In particular, firms in Eastern Europe annually spend an average of 2.2% of income in informal payments to officials in the CIS - 3,7%, Hungary - 1.7%, Poland - 1.6%, while in Russia - 2,8%, Kazakstan - 3.7%.

One indicator of the possibility of the presence of corruption can be the length of time the government in power. Moreover, "the government's term" – is the first thing you should pay attention to. According to experts, the distortions in the functioning of the state, almost without exception, start after finding a government in power for more than two consecutive terms, 8-10 years. The lowest risk in this sense is inherent in the countries, where the government in power has been there less than 5 years, the average - also, where "the government's term" is more than 10 years and most of the officials appointed rather than selected. The highest risk assessment is usually assigned to countries with a one-party system and autarky. There is a fairly widespread belief that corruption can be defeated by a strong state, a dictatorship. However, the situation is exactly the opposite. Most researchers of corruption believe that one of the reasons for its spread is "excessive" government intervention in the economy. Then there are different restrictions, regulating and controlling the rules imposed on the free economic agents. According to R. Kligardu, "the equation of corruption" looks like $\text{corruption} = \text{monopoly} + \text{discretion} - \text{accountability}$.

An illustrative example is Nazi Germany, in which corruption flourished. Bribes were given for the exemption of certain obligations, for access to public money. The leaders of the Third Reich continually used their official positions for personal gain, and Hitler took it very graciously.

In addition, A. Ades R. Di Tella and concluded that the level of corruption is higher in countries conducting an active industrial policy. The overall impact of industrial policy on the investment climate is made up of two effects: the direct and indirect positive impact of the negative impact of corruption. A large part of the gains from a favorable investment industrial policy is lost in terms of corruption.

Here, we pay attention to the interesting fact that in special cases, with extremely tight and little economically sound regulation, corruption can play a positive role, allowing companies to overcome unnecessary barriers.

The most important negative factor associated with corruption, is to increase the risk for investors. It is known that a solid investment base provides a stable economy. Since the Oil sector is the most

developed one in Kazakhstan, it is more likely to consider the fact that there are so many investments going on.²⁰²¹

Every year millions of barrels of Kazakh oil "leaked" in an unknown direction. The question is why no one wants to understand the lost oil, and even more to look for the guilty. This is dangerous and unprofitable for somebody. But as shown by the capture of the Salafi group in Aktobe, this question is really explosive because it is an organized crime in Kazakhstan, it seems, that makes extensive use of the lost oil.

For the loss of oil ready!

Statistics from the Ministry of Energy of Kazakhstan export tracks data processing and oil production. At the end of 2015, 79.46 million tons of oil was produced in Kazakhstan; the processing volume amounted to 14.54 million tons; the export took 63.6 million tons.

By simple arithmetic, you can calculate that more than a million tons of oil was produced, and subsequently has been lost.

$79.46 - 63.6 - 14.54 = 1.32$ million tons, or 9.6 million barrels

9.6 million barrels - a decent figure, but

For comparison:

OPEC and non-OPEC countries after long and difficult negotiations, decided to reduce production by only 1.75 million barrels per day. And Kazakhstan annually just lost almost 10 million barrels.

OPEC - Organization of the Petroleum Exporting Countries.

The Ministry of Energy cannot even clearly explain the balance. Where are the millions of undocumented raw materials?

However, there is still an awkward oddity:

Speaking about the plans of oil, the Ministry of Energy makes huge losses.

²⁰ The Impact of Corruption on the Russian Economy, 2006.

²¹ Naumov A., 2009.

“We are planning for 2016, taking into consideration that water cut deposits are rising and as we know naturally they are being exhausted, We plan to produce 77 million tonnes” said Energy Minister Vladimir Shkolnik but...

A little later, the Office clarified that there are 14.3 million tons, which will be sent to recycling processes, and 60 million tons for export.²²

So if we calculate: $77 - 14.3 - 60 = 2.7$, or 19.7 million barrels.

19.7 million barrels is a significant number, it is not easy to hide in the statistics. Nobody hides them at all.²³

How to hide "leak of oil"?

How much oil is leaking overseas is known only because of open data of the State Revenue Committee of the Ministry of Finance. For example, in 2015 Kazakhstan exported 61.2 million tons of crude oil, equal to \$ 26.1 billion.

The leader of oil exports from Kazakhstan is Italy. Last year, the country bought 17.8 million tons of crude oil (\$ 7.8 billion), as mentioned earlier.

In second place is the Netherlands. The country exported over 8.8 million tons of oil (\$3.7 billion) in 2016.

The third-ranked is Switzerland. The country with the reliable banks received over 5.9 million tons of oil (\$2.3 billion).

The average price of a barrel of oil bought in 2015 ranged from \$ 54 to \$ 60.

The statistics of trade with the EAEC countries can be viewed on the website of the Statistics of the Ministry of National Economy Committee. According to published data, in allied countries in the past year that leaves about 2.4 million tons of oil. If you add up all the data, you get just the right figure²⁴:

$61.2 - 2.4 = 58.8$ million tons

²² Klemenkova, Catherine, 2016.

²³ Aliev Kairat, Rasul Mirzaev, 1997.

²⁴ Economy.gov.kz, 2016.

Besides exports, oil is still going to be recycled. The capacity of domestic refineries is not infinite: Tyra oil refinery can process 4.9 million tons of oil per year.

Pavlodar plant is one of the largest and most modern refineries in Kazakhstan in regards to technology. Its refining capacity is 5.1 million tons per year.

Refinery LLP "Petro Kazakhstan Oil Products" (PKOP), former SHNOS, processes about 5.25 million tons of oil per year.

If all three plants operate at full capacity, they will be able to process no more than 15 million tons of crude oil.

However, in addition to the three major oil companies in Kazakhstan there are about 32 small refineries, and finding out their share in the refineries is impossible. At least, the answer could not be found on this issue in the public domain.

"For oil they can kill."

"Ministry of Energy may not even know about these mini little factories and about what they were doing." - commented a chief researcher at the Institute of Economics of Science Committee of the Ministry of Education and Science of Kazakhstan - Oleg Yegorov.

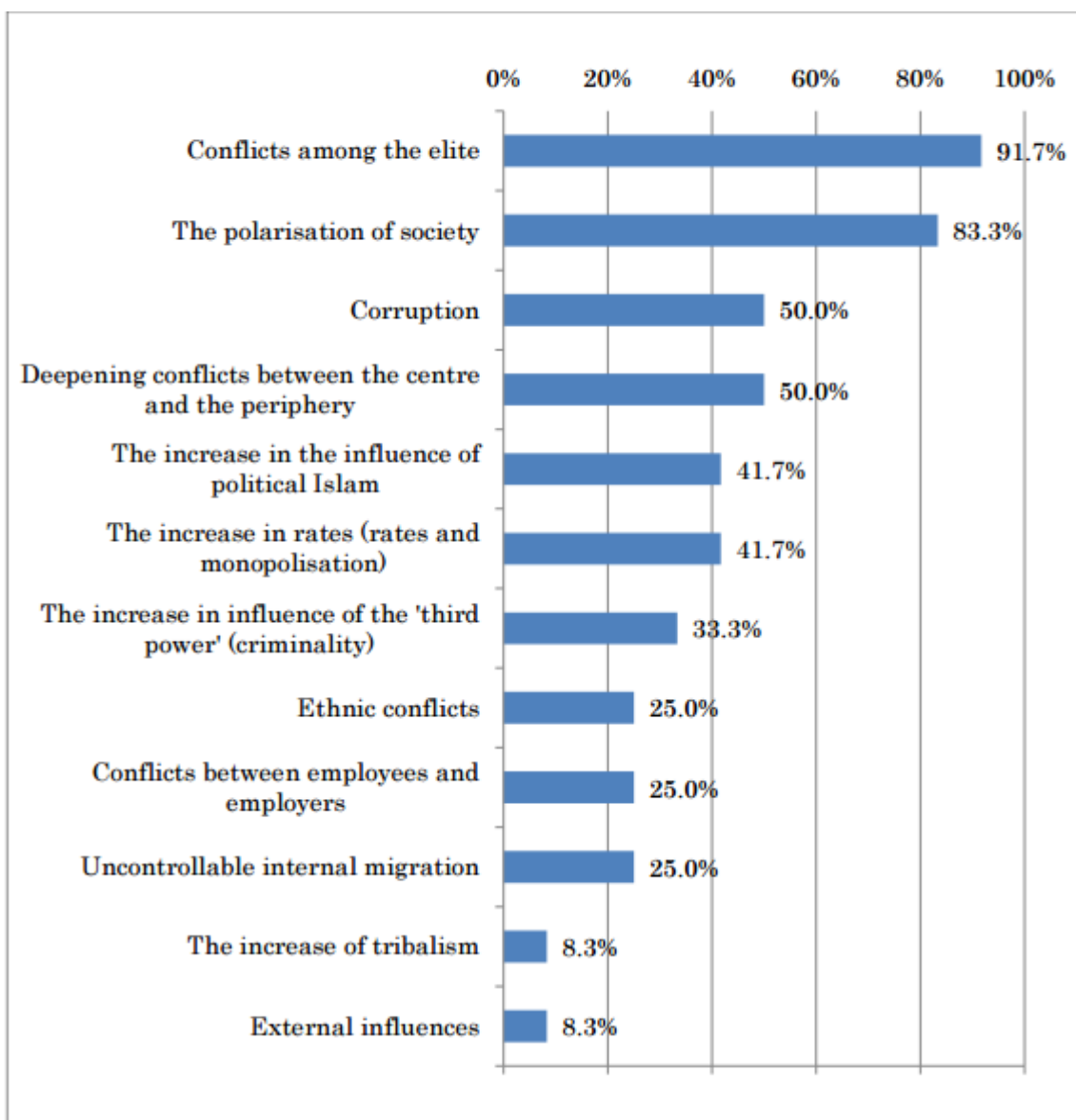
What is this plant in Aktobe, who recently became famous all over the country? This is a private mini-plant. Where does it get the oil?

All oil that is produced in this area, this is the Chinese oil, goes directly into the pipeline, and from there to China or to the Shymkent refinery. But somewhere in the plant management a provider is still found ... And then there is the poor-quality gasoline in our gas station.

So, it turns out "unaccounted" Kazakhstan's oil is a raw material for these mini-refineries? Well, nobody has an answer for that, although all we can say is that the oil business is peculiar. Since it is a peculiar business there are peculiar rules that everybody should obey, otherwise you know the end of the story. Leak of oil has been ignored for the last decades. Meanwhile, the oil companies and the authorities feel uncomfortable when journalists ask questions about oil, especially when it comes down to "the leak of oil" as well as the theft of oil. They don't want to talk at all and everything stays uncertain. From this point, there are tons of conflicts that stay unsolvable to this day.

What conflicts do you consider to be the biggest threats to Kazakhstan at present?

Graph 2 Conflicts which are causing threats to Kazakhstan.



Source: <http://www.globalissues.org/article/4/poverty-around-the-world>

In the law on the National Security of the Republic Kazakhstan, "the decline of the law and order, including the increase in crimes such as organized crime, the merger of state organs and criminal structures, terrorist and extremist organizations, the endorsement of illegal capital flow by state officials, corruption' and 'the disorganised actions of state organs, the disruption of their smooth operation, the decline in state governance' were mentioned as among the main threats to national security.

Regarding the decline in state governance, the view of Gabit Lesbekov, - Managing director of the Damu entrepreneurship development fund - is very interesting. During a conference on the topic " Shadow and street economy", chances and sociopolitical and economic risks," he mentioned that since the contribution of the shadow economy is higher than 33% of GDP and 40% of the Kazakh population is engaged in it, the economy already has the chance to respond to normal

measures implemented by the state, which establishes a serious threat and damage to national security.

Corruption is the key problem in the Kazakhstan although it also has an anti-corruption committee, which has been very successful for the past 5 years.

The sectoral program on combating corruption in the Republic of Kazakhstan for 2011-2015, also notes that the corruption is a systemic threat to the safety of Kazakhstan, threatening the stability of the state and society, and preventing the ongoing economic and social reforms, creating a negative image of the Kazakh Republic.

One of the latest initiatives is the adoption of sectoral programs to combat corruption in the Republic of Kazakhstan for 2011-2015, which has already made changes and additions to this program. It is interesting because it was the first attempt to make a SWOT analysis of the anti-corruption policy pursued in the country.

5. SWOT analysis

Table 1: SWOT analysis

<p>Strength</p> <ol style="list-style-type: none"> 1) The presence of a regulatory legal framework to combat corruption. 2) Knowledge of anti-corruption 3) Existing capacity of government bodies in the field of Infrastructure of Information 4) Anti-Corruption is one of the priorities of state policy 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1) Widespread corruption in all spheres 2) Insufficient level of legal literacy of the population 3) Lack of openness of activities of state and local executive authorities 4) The mentality of the population and public servants
<p>Opportunities</p> <ol style="list-style-type: none"> 1) High standard of living 2) Improving existing legislation to international standards. 3) Investment climate improvement 4) Increasing indicators of Kazakhstan in the international ranking of corruption level assessment. 5) The strengthening of cooperation between state institutions and civil society 	<p>Threats</p> <ol style="list-style-type: none"> 1) Increase in the level of the shadow economy 2) Reduction of investment attractiveness 3) The rising cost of public projects by Corruption component 4) Reducing the cost effectiveness 5) The decline in living standards and the growth of social tension. 6) The loss of support from the state.

Source: Own Table.

At the official level in Kazakhstan, people recognized the threat posed by corruption, in terms of the Republic of Kazakhstan National Security. In particular, the Law of RK on January 6, 2012 No 527-IV <About to National Safety were also assigned, merging state agencies with criminal structures ..., corruption. contributes to lower the level of protection of national interests. In Article 19 of the same Act <Ensuring public Safety> said that it is necessary <to strengthen the fight against crime, including its organized forms, corruption, terrorism and extremism>. So corrupt authorities, in the framework of the law stay at the same level with extremists and terrorists.

December 21, 2012, the head of state signed the Law of the Republic Kazakhstan <On amendments and additions to some legislative acts of Kazakhstan on Public Service>, aimed at improving the efficiency of the state mechanism, including through the introduction of new mechanisms of formation, functioning and assessment of the civil service staff. This law is part of the ongoing administrative reform in the country. It should be noted that the law provides for a separate chapter of the Official Ethics, which includes norms of the Code of Honor and the anti-corruption behavior of civil servants.

According to the Chairman of the Republic of Kazakhstan Agency for Civil Service Affairs Alikhan Baimenov the main priorities of the law are:

- Strengthening the principle of meritocracy in the selection and promotion of cadres.
- Creating a higher administrative party.
- Improving institutions and personnel management mechanisms.
- Enhancing the role of personnel services.
- Strengthening the disciplinary and ethical oversight.
- Increasing responsibility for the illegal personnel decisions.
- The introduction of evaluation system of public servants, and others.
- Testing as a separate phase of the selection without reference for competitions will greatly reduce the time required government agencies to carry out tender procedures (from 40 - 45 days to 15 - 20 days.)

With regard to the target indicators of the stage of the administrative reform, in the opinion of A.Baymenova, they are:

- Enhance the level of trust by the population in the selection system and the level of trust of public servants to comply with the principles of meritocracy.
- Professionalizing the civil service and the quality of public services.

6. Anti-corruption info-structure

- Agency for Combating Economic Crimes and Corruption of the Republic of Kazakhstan (Financial Police).
- Kazakhstan National Security Committee, whose functions include participation in the dismantling and implementation of state policy in the field of security needs of individuals, society and the state.
- Commission under the President of Kazakhstan on the fight against corruption.
- Republican Public Council for Combating Corruption under the People's Democratic Party <Nur-Otan>.
- Kazakhstan Financial Monitoring Committee. (KFMC)

One of the problems of the state structures, which, directly or indirectly, were linked to the anti-corruption struggle, is the fact that they have detected corruption offenses, but did not engage in prevention. The situation is exacerbated by the fact that for a long time, there was constant competition for spheres of influence and an increase in power between the law enforcement agencies of Kazakhstan, including in the fight against corruption. Often, members of the security forces were the reason for intergroup conflicts within the elite, mainly playing the role of a tool rather than an independent actor. This was due to the fact that some elite groups have used the fight against corruption in order to strengthen their economic position. In 2006, during the next meeting of the Council of Safety of the RK, Kazakhstan president said, “economic crime cannot be made without the assistance of corrupt officials elites.” This applies to the so-called ‘raiding’, that has been actively used for capturing property, using corrupt relations, especially by law enforcement and other authorities.

In 2012, to improve the efficiency of the security forces, law enforcement officers were tested for certification. According to the Ministry of Internal Affairs, in the framework of the attestation, more than 1,200 police officers have been dismissed. The Agency for Combating Economic and Corruption Crimes certification has 439 people, 136 of them are laid-off employees of the Financial Police.

6.1 Anti-corruption initiative

In the next few years, Kazakhstan is going to gradually introduce a universal declaration of income and property. That will reduce corruption, it will also enable them to clean all proprietary data of citizens, scattered in different departments. It will increase tax receipts and transparency of financial operations. According to the idea of this project, by 2017 there should be a legislative base. Further, according to the forecasts by the Ministry of Justice of the RK, by 2017 all national small, medium and employees of institutions and different holdings will have to provide a declaration of income. It is a strange fact that officials will not provide a declaration on the costs and money that has been spend for the whole year, although this is the main reason why corrupt actions still exist and cause the whole nation to suffer.

According to expert opinions, one of the reasons for the existence of corruption in Kazakhstan is related to the imperfection of legislation, in some articles of which there are "loopholes" for committing corrupt incidents.

The chairman of the support committee of the program of the President of the Republic of Kazakhstan on combating corruption Roman Bogdanov believes that "The basis of the fight against corruption, in our opinion, first and foremost is a change in the very legislation of the RK, the elimination of legal norms will be the first step as this serves the corrupt elements. It requires a deep inventory of legislation that regulates various spheres of the economy."²⁵

It should be noted that in January 2013, the electronic anti-corruption program "SARAPTAM" was presented in the lower house of the Kazakh parliament. The peculiarity of the program is that it allows you to investigate the norms of legal protection packages containing corruption elements.²⁶

²⁵ Suleimenov, Yerzhan, 2013.

²⁶ Forensic activity in the Republic of Kazakhstan, 2012.

6.2 Transparency of a whole nation

In general, according to experts, the policy of the Kazakh government to increase transparency should be welcome to a certain level of corruption, so that it would proceed from a permanent source and ultimately prevent this very source. If we are talking about the higher elite, then do not count for rudeness, but it is better to dismiss such people from high-ranking positions, but if it is a medium and a low class of people, then learn to take certain measures and control the process until people themselves become unaccustomed to being corrupted.

6.3 The key areas of anti-corruption

- Counteraction of corruption in the sphere of public service
- Introduction of the institution of public control
- Anti-corruption in the quasi-public and private sectors
- Prevention of corruption in law enforcement and judicial bodies
- Formation of the level of anti-corruption culture
- Development of international cooperation on anti-corruption issues.²⁷

²⁷ Zakon Respublicky Kazakhstan O borbe s korruptsiei, 2015.

7. Conclusion

Even though corruption is often compared to a hydra, there are effective methods of combating this phenomenon, which is successfully proved by world practice. Not fighting corruption means supporting it, and given the devastating consequences of this inaction in all spheres of society, the problem of countering this "internal enemy" is in any state. Therefore, it is so important to study the causes of corruption, in fact it is necessary to fight not only with the weed itself, but also with its seeds. Understanding what corruption is about, exploring this phenomenon and the experience of other countries in resisting it, we get knowledge and knowledge is known as a power. The main thing is that this force should find its proper application this requires, not only political will, but also support from the whole society. Otherwise, the fight against corruption will be lost.

As a conclusion, I do believe that the corruption (bribes, privatization, gifts and all types of corrupt actions) that have been mentioned previously can be prevented.

Although the question is for how long it will be prevented because as mentioned earlier, the human being is greedy and the drive for it is the power. Sooner or later it will start all over again.

And if someone does not believe that this can be achieved in Kazakhstan, that is not right. First, the authorities must declare publicly that all are equal before the law, and then conduct a dozen or more open trials of corrupt officials. And not only over those who take bribes, but over those who cover them.

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