

**Czech University of Life Sciences Prague**  
**Faculty of Economics and Management**  
**Department of Economics**



**Bachelor Thesis**

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

**Kirill Raduta**

© 2017 CULS Prague

## Summary

The bachelor thesis “Corruption of Kazakhstan and its impact on economy“ 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.

## 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 13<sup>th</sup> 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-Abulkhair-Khan (1718-1748). The Middle Horde was under Semeke-Khan (1719-1734). The High Horde was under Abulkhair-Khan (1718-1748). According to the history, the second dictator in the High Horde was Abulkhair-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 Abulkhair-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.

## **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.

## **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.

## **Conclusion**

Despite the fact that 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 so, 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.

## Bibliography

### Printed publications

1. Olken, Pande. Corruption in Developing Countries, 2012.
2. Науч. ред. С. В. Максимов и др. - М.: Спарк. Основы борьбы с коррупцией (системы общегосударственной этики поведения), 2000.
3. Максимов СВ. Коррупционная преступность в России: правовая оценка, источники развития, меры борьбы. Проблемы борьбы с коррупцией. Сборник статей. - М.: Юр Инфор. 1999.
4. Криминология. Учебник для вуза / Под общ. ред. А.И.Долговой. М., 2000.
5. Kairat, Mirzaev. We need to see the future, before it is predicted by our dad, 1997, 2 edition.
6. Zakon Respublicky Kazakhstan O borbe s koriptsiee.

### Electronic documents

1. "Corruption in Kazakhstan: Legislative and Organizational-Legal Measures to Prevent It and International Experience." [online] www: < <https://articlekz.com/article/4693> >
2. "Kazakhstan began exporting oil from its largest field", [online] www: < <https://rbc.ru/business/14/10/2016/5800abee9a7947ddcee7b340> >
3. The State. "Corruption in the Republic of Kazakhstan is Intensified Due to the Instability of the Economy", [kapital.kz](http://kapital.kz), 2016 [online] www : < <https://kapital.kz/gosudarstvo/47342/korruptsiya-v-rk-usilivaetsya-iz-za-nestabilnosti-ekonomiki.html> >
4. "Government of the Republic of Kazakhstan", [government.kz](http://government.kz), 2016 [online] www: < <http://government.kz/en/innovatsii-i-nauka> >
5. Omurzakov, Tursinbek. "The situation with corruption is deteriorating from year to year", [kapital.kz](http://kapital.kz), 2014 [online] www: < <http://kapital.kz/expert/32140/situaciya-s-korruptsiej-uhudshaetsya-iz-goda-v-god.html> >

6. "Kazakhstan GDP", [tradingeconomics.com](http://tradingeconomics.com), 2017 [online] www: <<http://www.tradingeconomics.com/kazakhstan/gdp>>
7. "Oil and Gas Sector", [kmgep.kz](http://kmgep.kz), 2016 [online] www: <[http://www.kmgep.kz/eng/about\\_kazakhstan/oil\\_and\\_gas\\_sector/](http://www.kmgep.kz/eng/about_kazakhstan/oil_and_gas_sector/)>
8. "Kazakhstan ranked 12th in terms of oil reserves in the world", [radiotochka.kz](http://radiotochka.kz), 2015 [online] www: <<http://radiotochka.kz/16748-kazakhstan-zanyal-12-e-mesto-po-zapasam-nefti-v-mire.html>>
9. Naumov. "Corruption: causes, influences and methods of struggle", [mirec.ru](http://mirec.ru), 2009 2015 [online] www: <<http://www.mirec.ru/2009-01/korruptsiya-prichiny-vozniknoveniya-vliyaniya-i-metody-borby2>>
10. Mazitov, Ayrat. "Is Kazakhstan Waiting for Another Weakening of Tenge?", [kapital.kz](http://kapital.kz), 2015 [online] www: <<http://kapital.kz/finance/42870/kazakhstan-zhdet-ocherednoe-oslablenie-tenge.html>>
11. Rules of Participation. "Kazakh Barrel or Who Owns the Oil of Kazakhstan?", [yvision.kz](http://yvision.kz), [online] www: <<http://yvision.kz/post/313146>>
12. Klevtsova. "Oil Business in Kazakhstan and Human Rights", [azattyq.org](http://azattyq.org), 2016 [online] www: <<http://rus.azattyq.org/a/kazakhstan-ekonomicheskji-forum-prensa-guzal-baidalinova/27762629.html>>
13. "The Impact of Corruption on the Russian Economy", [corruption2006.ru](http://corruption2006.ru), [online] www: <<http://corruption2006.narod.ru/9.htm>>
14. Naumov. "Corruption: Causes, Influences and Methods of Struggle", [mirec.ru](http://mirec.ru), 2009, [online] www: <<http://www.mirec.ru/2009-01/korruptsiya-prichiny-vozniknoveniya-vliyaniya-i-metody-borby2>>
15. Klemenkova, Catherine. "The Darkest Business in Kazakhstan: "Lost" Oil", [365info.kz](http://365info.kz), 2016 [online] www: <<http://365info.kz/2016/12/samyj-temnyj-biznes-kazahstana-poteryannaya-neft/>>



16. 2017 [online] www: <<http://economy.gov.kz/>>

17. 2017 [online] www: <<http://economy.gov.en/>>

18. Suleimenov, Yerzhan. "Roman Bogdanov: 'The judge-corrupter himself signs the verdict!'", [sotreport.kz](http://sotreport.kz). [online] www: <<http://sotreport.kz/interview/roman-bogdanov-sud-ya-korrupsioner-sam-sebe-podpisy-vaet-prigovor/>>

19. "Forensic activity in the Republic of Kazakhstan". adilet.zan. [online] www: <<http://adilet.zan.kz/kaz/docs/Z100000240>>