

IDE Research Bulletin

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Exploring informal networks in Kazakhstan: a multidimensional approach

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This project has focused on informal networks, defined as a web of connections based on kinship ties, friends, colleagues and neighbours through which goods, services, and information are exchanged. The project has examined the roles and functions such networks serve for 'getting things done' in Kazakhstan.

A number of existing studies on social capital and network analysis have shown a much lower level of trust that people in the post-Soviet states (and to varying degrees in post-socialist states in general) place in formal institutions and in the state organs as a whole. This is an obvious contrast from the overall trust in the functioning of formal institutions and rule of law discernible in most western societies. Instead, individuals tend to rely on their personal networks and connections for a variety of tasks and services that normally require one to go through formal channels and public institutions: such as finding a place for a child in nursery or school, getting medical treatment, employment in public sector, access to information and getting numerous business deals done, and so on. An examination of how people obtain access to the above-mentioned tasks and services reveals the centrality of personal networks in all spheres: politics, business, and everyday life. The reliance on personal connections in the former Soviet space is far more pervasive and their role is more deeply embedded in social and political life even in comparison with Japan, a society often considered to be 'traditional' by foreign observers.

The proliferation of informal networks in the Soviet Union was a product of rigid administrative-command system and over-centralised planned economy. Informal networks helped to circumvent the rigid controls, hierarchies and shortages generated by the centrally-planned command economy. *Blat*, or the use of personal contacts to obtain goods and services which were in short supply, was a widely practiced and socially accepted strategy of citizens facing material as well as ideological constraints of the Soviet state. Thanks to mutual exchange of favours, people managed to overcome endemic shortages through evading and subverting official procedures.

The fall of the communist regime, and the emergence of market-based economic institutions and practices, however, have not mitigated the role of informal networks and people's reliance on them for access to various services, for getting jobs done and for achieving their goals. While the emergence of market economies resolved the shortage of goods and services, it also heralded a dissolution of the social safety net and certainties provided by the socialist welfare system. The transition period was

characterised by rampant unemployment, wage arrears, absence of law and order, and the overall uncertainty about the future. The newly-introduced institutions of Western democracy and market mechanisms were transplanted from above in a social and economic system in which top-down institutions and rules had been habitually subverted or circumvented by the citizens. What rendered a visible functionality to these institutions was an underlying structure of getting things done through the use of personal connections and informal practices. The use of informal networks and personal contacts, which served as a survival strategy for individuals and organisations, has also become the tacit principle of governance for the political elites.

After two decades of the collapse of the Soviet Union, Kazakhstan has managed to steer through the challenges of chaotic transition and is now undergoing a remarkable economic growth on the basis of its bountiful oil and mineral resources. If one visits Kazakhstan's capital Astana with its stunning and ultra-modern government buildings, and ostentatious glass and steel structures, it is hard to imagine that until 1998 it was a provincial city called Akmola, known in the Soviet times as Tselinograd – the city of Virgin Lands – bearing a socialist profile. Kazakhstan is not only the most advanced economy in Central Asia, it is second to Russia in terms of its GDP, sustained economic growth, rising levels of prosperity and per capita income, as well as in terms of modernisation of various economic and social institutions. For example, its banking and corporate sector are the most advanced in the region after Russia. Kazakhstan's 2050 Strategy elaborates a programme of social, economic and political reforms and envisages Kazakhstan to join the ranks of 30 most competitive global economies by 2050. It has also introduced on-line services; according to the 2012 e-Government Readiness Index of the United Nations, Kazakhstan is ranked at 37th out of 191 countries, and placed at the 3rd among the former Soviet states, behind only Estonia and Lithuania. The streets of Almaty, the former capital and the financial and information centre of the republic, are crowded with luxurious cars, and fashionable cafes bustling with local youth checking smartphones and iPads.

However, the reality behind the façade of modern technocratic state structure and a seemingly prosperous society is still quite different. Appearances are deceptive and require a close look under the surface. And one of the keys for understanding the gap between what is officially demonstrated and the way in which things are actually done is through an exploration of the workings of personal connections behind the façade of modernity and progress. This project has explored the informal networks in a number of spheres of modern life in Kazakhstan: the everyday lives of ordinary people, political and economic transactions within various state bodies and also between the

state and its citizens, and the network of migrant workers from the neighbouring CIS states that transcends national boundaries. A short summary of each paper is provided below. While exploring a common theme, the three articles vary in terms of their focus, methods and levels of analysis. The variation in the focus, methodology adds to the richness and diversity of this project. The findings inherent in the three articles together point to a common conclusion: Any measures to mitigate the level of corruption or to improve the quality of state governance have to start with a recognition of the widespread informal practices and the strength of informal networks that permeate the Kazakhstani society.

Problem-solving strategies in everyday life: how the use of informal networks has changed in post-Soviet Kazakhstan (Natsuko OKA)

Informal practices which are geared at bypassing or transcending official procedures are prevalent in today's Kazakhstan. One may argue that resorting to practices such as bribery and soliciting help of family or friends occur everywhere – not just in developing societies where the level of trust in state institutions is low but also in some developed economies, including Japan. In the latter, however, the use of such connections and bribes constitute deviations or exceptions and not the norm. In contrast, the results of this opinion survey show that solving problems through informal means is the norm, rather than the exception in this country. The survey was conducted with a sampling of 857 respondents, conducted in all regions of Kazakhstan in 2013. While more than 80% of respondents in this survey considered that bribery and the use of connections is widespread, nearly 40% admitted to personal experience of bribery, and over 60% had used personal networks to solve problems, either paying rewards for the help through friends or relatives, or without money. The motives for turning to bribery or connections are complex and ambiguous. It is a method that some people are forced to choose in circumstances where there is no other practical choice. At the same time, it is also because these methods save time and effort, result in receiving better public services, and allow obtaining things that cannot be obtained through formal means. In the perception of the respondents of this survey, the spread of informal practices is not a temporary reaction of people to tackle various plagues of the transitional period, but a phenomenon that is constantly reproducing itself.

Although the reliance on informal networks and exchange of favours to solve problems was also common during the Soviet era, the introduction of the market economy has produced a marketisation of personal relations and exchanges. This study demonstrates the growing pervasiveness of the monetisation of informal exchanges in

Kazakhstan during the last two decades of its independence. Money (in contrast to *blat* in Soviet times, which did not necessarily involve monetary transactions) has become central in several cases of informal problem-solving. The amount of bribes is determined through an informal consideration of factors such as the possibility of achieving the results and the prevalent 'market price' for solving a certain problem. While personal connections remain important as the 'first stop' means of approaching the intermediary or 'fixer' to solve a problem, it is becoming a standard practice to offer cash for the favour provided – whether to the 'friend' offering or facilitating help, or to the target person who helps to solve the problem. As a result, the reciprocity seen in Soviet era *blat* has faded, being replaced by frequently one-off interest-based transaction.

The Informalisation of labour migration in Kazakhstan (Bhavna DAVE)

The dramatic transformation of the provincial town of Akmola into the new capital Astana, often hailed as the Dubai of the steppe, could hardly have been accomplished without the availability of cheap migrant workers from the neighbouring countries, particularly Uzbekistan and Kyrgyzstan. An overwhelming majority of the migrant workers dominant in Kazakhstan's construction sector are citizens of the neighbouring CIS states, who can visit Kazakhstan legally but cannot work without a legal permit. The existing legal framework provides for a small number of quotas for highly-skilled foreign workers but has no provisions for legal employment of unskilled or semi-skilled foreign workers who dominate the construction sector. Hence most of the CIS workers are employed informally, and working illegally as a result. This reflects the emergence of a shadow labour migration regime. The laws, legal-regulatory framework and government bodies form the visible superstructure of the migration regime at whose base lies the web of informal and quasi-legal practices, personal networks and exchanges. These informal and quasi-legal practices enable migrant workers entering Kazakhstan on a CIS visa-free regime to overcome the inadequacies of a legal-regulatory framework, work without a legal permit and maintain a facade of legality as 'visitors'. Excluded from any meaningful participation in economic and political activities in their home country, lacking access to resources, opportunities in the domestic labour market and devoid of the status of 'right-bearing citizens,' migrants are creating new channels of mobility and opportunities which symbolically comply with the legal framework and also circumvent and subvert it.

The Kazakhstani state itself has so far turned a blind eye to informal labour migration by not penalising employers for hiring workers without a legal permit, and

not devising laws which facilitate legal employment, thus keeping migrants legally and statistically invisible. Its recent efforts to legalise labour migration by introducing some reforms, particularly a labour *patent* (licence) as is the case in Russia, reflect a strategic ambiguity on the issue as these reforms still limit migrants to work only in the household sector as unskilled workers and subject skilled migrants to very strict quotas. A genuine reform of the legal-institutional framework and institutions and the development of a legal base and rule of law cannot be accomplished without an active engagement of the various stake-holders – migrants, networks, NGOs, lawyers, media, trade unions, large and small business.

Corruption in Kazakhstan and the quality of state government (Dosym SATPAYEV)

In Kazakhstan, uncover of numerous corruption scandals involving various government officials has become almost a normal feature of life in recent years. Arrests of ministers or other high-ranking bureaucrats for bribery, embezzlement, or misappropriation are becoming rather frequent. Behind these high-profile acts of waging a battle against corruption by the government by targeting individuals, however, is a serious and systemic phenomenon. According to an assessment performed by the Agency of the Republic of Kazakhstan for Fighting Economic and Corruption Crimes, in 2012, the shadow turnover in Kazakhstan amounted to over \$30 billion. There is corruption at all levels: so-called ‘self-employed’ (unofficial taxi drivers, petty traders in the bazaar, for example) or the representatives of small- and medium-sized business are often not registered and thus pay no taxes, which shows petty or routine corruption at the lower levels. The most serious and endemic form of corruption is the various transfers of funds in the state structures and national companies which remain opaque and thus unaccounted for. There are many questions about the volumes and spending of revenues earned from natural resources, and there is no independent or reliable monitoring and control of the flow of funds in national oil and gas companies. It is widely believed that a significant portion of this shadow capital has been taken off-shores.

The main actors involved in the shadow economy are state officials and informal pressure groups or powerful business representatives. Tightly connected by informal networks, these political and economic elites distribute state resources among themselves, and accumulate great wealth by way of legalising informal incomes or obtaining official business using connections. While important decision making is carried out among the close circles of the political elite, who represent narrow, clan interests and interests of their clients in the private sector, formal institutions remain

weak and ineffective. Kazakhstan's economy has come to depend more and more on inside deals based on personal interests through a formal holding of state tenders, procurements, and various state-projects. Under these circumstances, the easiest way to become wealthy is to follow a career in state organs or national companies, or to gain access to state resources through informal connections.