

President Tokayev Has Begun Implementing Economic Policies by Reshuffling Personnel and is Considering Fiscal Changes

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Introduction

With the start of his presidency in 2019, Kassym-Jomart Tokayev has made one of the most ambitious changes in recent years. His decision to restructure the government and the Presidential Administration of Kazakhstan aroused significant interest and debate in society. He carried out a major reshuffle, redistributing not only key positions, but also the power structure in the country.

The main point of change was the reduced role of the deputy head in the Presidential Administration and a significant reduction in the size of this structure. The main goal is to increase efficiency and clearer division of responsibilities within the administrative machine of the state.

However, despite significant changes in the structure of government and administration, there remains a feeling that no new faces have emerged in key positions. Old staff were redeployed to new locations, raising questions about the extent of change and innovation in the approach.

One explanation for Tokayev's move may be related to his desire to ensure the implementation of planned economic reforms. He is counting on the people on his team, knowing their experience and loyalty. However,

it also raises questions about the potential for innovation and new approaches to implementing reforms.

The creation of five new ministries reflects an attempt to reorganise the governance structure for more effective management and necessary reforms. However, here too the question remains to what extent these new structures are capable of really changing the economic situation in the country.

Of course, government reorganisation is a significant step. However, the success of this initiative will depend not only on structural changes, but also on the ability of Tokayev's team to manage complex economic processes, attract investment and stimulate growth.

Key points of economic reform:

- Reform of public administration and tax system
- Reducing price controls in electricity, heating and water supply to stimulate electricity.
- Continue reform of monetary policy and regulation of the banking sector to increase lending to the real economy and reduce the need for government lending and subsidies.

Tax system reform

Significant changes in the tax sphere are being discussed in Kazakhstan, with an increase in the VAT rate from 12% to 16% coming to the fore¹.

¹ VAT Update. (2023, October 30). Kazakhstan to Increase VAT Rates from 12% to 16% as of 2025.

Previously, an increase in corporate tax for banks and mining companies, following the example of the UAE, was discussed².

The main goal of tax reforms is to solve the problem of the budget deficit. By prioritising tax incentives for investors, the Kazakh government seeks to attract additional investment, which promotes economic growth and development.

The annual budget deficit in the third quarter of 2023 increased from 1.6 trillion tenge to 2.22 trillion and exceeded the figure for the entire 2022 (2.17 trillion)³.

It is important to note that the mooted corporate tax increase for banks and mining companies, which was not pursued, could have mitigated the budget deficit through additional tax revenues. However, the lack of progress of this initiative may indicate difficulties in confronting influential oligarchic circles.

The budget deficit will be covered by domestic consumption: increasing the VAT rate and liberalising the utility services market.

Thus, the planned changes in the tax sphere show the government's desire to solve the problem of the budget deficit. However, the absence of a number of tax measures that could balance budget losses from the provision of benefits indicates the difficulty of balancing the interests of various groups and forming tax policy in the country.

² Reuters. (2023, June 9). Kazakhstan plans hike in mining tax, VAT: economy minister.

³ Kursiv Media. (2023, November 14). Budget deficit could hit record levels.

The future of these reforms and their impact on Kazakhstan's fiscal system depends on the government's ability to strike a balance between stimulating the economy and ensuring the country's financial sustainability, taking into account the diverse interests of various social and economic groups.

Dubious promises on GDP

In his address, Tokayev pledged to double the size of the economy from US\$225.5 billion (2023) to US\$450 billion by 2029⁴.

This was a very bold statement because to achieve this goal it is necessary to ensure economic growth of at least 11% per year. Given the current growth trend, which is in the range of 4-5% per year, it can be assumed that the government is unlikely to achieve its goal.

Despite the announced reforms, external factors and current economic conditions may have a significant impact on the achievement of set goals.

Also, 2029 is a rather dubious deadline, since according to amendments to the constitution of September 17, 2022, Tokayev's presidential term is designed for 7 years without the right to be elected, and the end of the term of office falls in 2029⁵. Given that Tokayev will not be able to be re-elected, this gives him room to manipulate the numbers, as his predecessor Nazarbayev did.

⁴ Kursiv Media. (2023, September 1). Message from the President.

⁵ Kursiv Media. (2022, September 2). Under what conditions Tokayev can be president until 2029?

However, it must be remembered that in Kazakhstan there has always been a practice of rewriting the constitution⁶. This phenomenon will not disappear anywhere, so there is a small probability that Tokayev will still remain in power by rewriting the constitution.

Nuclear Power Plant

The proposal of the President of Kazakhstan, Kassym-Jomart Tokayev, to reduce state control over prices in the field of electricity, heating and water supply, has caused a wave of discussions in the country, implying an increase in prices.

The main goal of this step is to stimulate the development of the electric power industry and finance the construction of a nuclear power plant (NPP).

However, the decision to build the nuclear power plant, which is estimated to cost 10-15 billion US dollars, still remains in limbo, despite the potential contractor Rosatom⁷. However, the process of cooperation between Kazakhstan and Rosatom has already begun.

Currently, educational institutions of Kazakhstan are negotiating with the Rosatom Technical Academy regarding the training of personnel

⁶ Press.kz. (2023.). What was amended in the Constitution of Kazakhstan by Nazarbayev and Tokayev?

⁷ Kursiv Media. (2023, October 4). The head of the subsidiary Samruk-Kazyna announced the cost of electricity from the first nuclear power plant in Kazakhstan.

necessary for the implementation of the nuclear power plant project in Kazakhstan.⁸.

Public opinion regarding the construction of nuclear power plants is negative. The main danger is possible corruption and deviations in the construction process, which can affect quality and safety. In this regard, the proposal to increase electricity prices will be perceived as an incentive to support the idea of a nuclear power plant among the population. More affordable and stable electricity promises to result from the introduction of nuclear power plants, which may allay concerns and convince the public of the benefits of such a project.

Effectiveness of Reforms

The effectiveness of economic reforms and their real impact on the development of the country is a topic of significant importance for any society. Kazakhstan has seen changes in economic policy in recent years, with President Tokayev highlighting improving the economic development program and government performance as priorities. However, the promises and statements made in his latest address contain more symbolism than real steps forward.

Previously, Tokayev focused on domestic political reforms, but the president's latest address to the economy was a sign of changing priorities. Despite this, the measures presented are not radically new. This marks

⁸ Atomic Energy. (2023, October 30). Universities of Kazakhstan, the Rosatom Technical Academy and the JET Research and Development Center discussed the prospects for scientific and technical cooperation.

not so much a renewal of economic strategy as a reorientation towards existing approaches.

One of the key reasons for this "economic reset" is the impact of numerous events, such as "Qantar" (January Events in 2022) and the Russian invasion of Ukraine, which have put pressure on the country's economic policy. However, despite the promises made in recent presidential messages, experts have expressed doubts about the real changes that these measures can bring.

It is important to understand that presidential promises are not only a means of conveying information, but also a platform for maintaining communication with the population. However, the issue of official statements and their practical implementation remains open.

Corruption and ineffectiveness of Tokayev's team remain the main barriers to the real implementation of economic reforms. Without effective mechanisms to combat corruption and without taking effective measures to improve the functioning of the government, the promised changes may be only on paper, without bringing real positive changes for the country and its economy.

So, although Tokayev has focused on economic policies and reviving the development agenda, these measures have raised doubts about their actual effectiveness due to problems associated with corruption and inefficiency. The question of whether the promised economic reforms can really affect the country's development remains a subject of discussion and debate.

Conclusion

President Tokayev is seeking to maintain his power and secure support among the elite. In the context of reforms and changes, especially in the economic sphere, a number of risks arise associated with the conflicting interests of oligarchic circles and the ordinary population.

Any radical change can have a dual impact on different sectors of society. Economic reforms aimed at improving the lot of ordinary citizens may simultaneously jeopardise the interests of certain elite groups. Such changes could create potential challenges and confrontations between different forces in the country.

That is why Tokayev, like his predecessor Nazarbayev, is focused on a strategy where the support of the elite plays an important role. By making promises to the population and emphasising the need for reform, he strives to maintain a balance between the interests of various groups. This policy allows him to maintain stability and support within the country, minimising the risks associated with possible changes.

Maintaining stability and power until the end of his term is an important goal for Tokayev. Avoiding radical steps that could upset the existing internal balances becomes a strategic decision to maintain his political position and support in society. This is a semblance of continuity in the political line, similar to the tactics used by Nazarbayev in his time.

Future Expectations

It is possible that Tokayev will begin steps on economic reforms, but their moderate nature will be associated with the desire to minimise the risks of social and economic discontent as a result of radical changes. He will likely prefer a gradual and moderate approach that will avoid major social upheaval.

Regarding the target of achieving a GDP of \$450 billion by 2029, the government may not be able to achieve this target due to various factors such as geopolitical changes in the region, corruption, internal economic challenges and difficulties in implementing reforms.

The government will continue convincing the population about the construction of a nuclear power plant. Once the population becomes more ready and the adoption of such a decision does not cause significant public opposition, the implementation of the project for the construction of nuclear power plants by the Russian company Rosatom will begin.

Tokayev will confidently continue to strengthen his position by forming a team that supports his policies. He can continue to consolidate his power around himself by building an effective team and strengthening his authority at various levels of government.

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President Tokayev's Fair Kazakhstan

"Fair Kazakhstan" is an ideological program that is aimed at creating a certain image of the government. Tokayev and his government recognize the importance of ideological work among the population to strengthen loyalty to the state.

However, it is worth considering that implementing reforms is a process that takes time, and promised changes may occur slowly. The factor of corruption, which remains one of the main problems, also does not disappear instantly. In such a situation, the government is trying to maintain stability and maintain social order through ideological work in order to soften protest sentiments and divert attention from current problems.

Propaganda of state symbols, creation of media projects highlighting the historical and cultural heritage of the country, all this is included in the framework of the "Fair Kazakhstan" PR campaign. These efforts are aimed at creating a positive image of the country, strengthening its prestige and increasing the population's loyalty to the authorities.

However, despite this, it is important to note that such ideological work is not always an effective tool for solving real problems of society. It may temporarily distract society's attention from social and economic difficulties, but it does not address their root causes.