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## **E - GOVERNMENT ROLE IN IMPROVEMENT OF KAZAKHSTAN PUBLIC ADMINISTRATION SYSTEM**

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### **Abstract**

The term “good governance” is used to describe the concept of effective public administration. This article investigates the role of Kazakhstan e-government framework in public administration improvement and the country’s competitive growth through bureaucracy reduction and mitigation of corruption risks in the permitting system. E-government, thanks to the transparency of electronic communications and increased accountability of public authorities, fundamentally changes the nature of the relationship between citizens and the state, creating a new paradigm of public administration that contradicts the traditional bureaucratic paradigm. E-government, allowing citizens to directly contact the state via the Internet, excludes officials from the chain of relations between citizens and the state, and thereby reduces the licensing function of officials as an important resource of administrative corruption. Kazakhstan, according to the emerging term of the global digital divide - global digital divide, dividing the world into information developed and developing countries, has narrowed this gap. Kazakhstan, being one of the leaders in the CIS, in the international ranking on readiness for e-government (E-Government Readiness Index) in 2018 took the 39th position.

**Key words:** Good governance, Doing Business Index, Global Competitiveness Index, E-Government Readiness Index, corruption, e-government, bureaucracy, competitive growth, public services automation, electronic document management.

## **Introduction**

The idea of e-government being an influential factor in good governance mitigating corruption risks and reducing bureaucracy is widely recognized. Examples of e-government application to anticorruption practice include OPEN e-government system established in Seoul, South Korea, and Bhoomi electronic document management project in India. Correlation between the development of new technologies, reduction in corruption and innovation-driven economy is reflected a comprehensive index – a country's competitiveness.

And Kazakhstan is no exception. Focusing on e-government as an anticorruption strategy this article looks into the role Kazakhstan e-government framework plays in competitive growth through reduction of bureaucracy and mitigation of corruption risks in the state permitting system. The article looks into the role Kazakhstan e-government framework plays in competitive growth through reduction of bureaucracy, mitigation of corruption risks in the state permitting system and automation of public services.

### **E-government Paradigm vs. Traditional Bureaucracy**

Ho tells us about the advent of a new paradigm, the paradigm of electronic government that has appeared to replace bureaucratic paradigm described by M. Weber putting stress on "centralization, task specification, standardization and routine procedures. Conversely, the e-government paradigm is based on coordinated connections, external interrelations and one-stop shop approach to services." [1,c. 435] Subhash Bhatnagar and Christine Apikul assert that "application of information and communication technologies has brought about dramatic changes in public services,

business models and people's expectations towards the quality and efficiency of information exchange and service delivery." [2, c.7] In the end, John Carlo Bertot, Paul T. Jaeger and Justin M. Grimes make a general theoretical conclusion on "the potential of e-government application to promotion of transparency and intensification of anticorruption efforts." [3,c. 267]

Not without reason are countries divided into developed and developing ones with regard to e-government, as developing countries face many more challenges and barriers along their path of e-government establishment, like

underdeveloped infrastructure, digital inequality, and deficit of qualified human resources. All these create an unfavorable environment for e-government deployment in developing countries. Mahmood and Zaigham state that successful use of ICTs for effective reduction of corruption can be observed mainly in developed countries, while replicating the success in developing countries is questionable. "Developing countries often start by launching a web-portal, and then develop individual nationwide projects, one at a time and independently of one another. This is extremely inefficient and results in duplication, waste of resources and reinvention of the square wheel." [4,c. 18] For that matter

Kazakhstan is an exception with its elaborate e-government strategy and high ranking in the E-Government Readiness Index, where Kazakhstan holds a leading position in the Eurasian region – 39 rank in 2018, 33 rank in 2016 and 28 rank in 2014. Accordingly, in 2010 Kazakhstan was ranked 46<sup>th</sup> and, 81<sup>st</sup> –in 2008. Kazakhstan, being a young developing country, attaches great importance to effective e-government implementation in the pursuit of overall advancement and modernization. Atthesametime, "further successful implementation of electronic government may turn into resistance against spread-out corruption, specifically in the areas of permitting and supervision." [5, c.35]

### **Doing Business Index for Kazakhstan's Competitive Growth and Greater Effectiveness of Public Administration**

It is well-known that on May 6, 2015, at the extended meeting of the Government in Astana, Kazakhstan first President Nursultan Nazarbayev outlined "100 concrete steps to implement five institutional reforms". In line with this agenda of the nation Kazakhstan Government has set the goal to join the top 30 most competitive countries in the world. The fifth area for reform is creation of an open, accountable government. The program states that "a newly-established state corporation "Government for the Citizens" will become a single provider of public

services taking after the Canada Service and Australian Centrelink systems. The state corporation will integrate all the public service centers into a single system. All public services will be delivered to Kazakhstan citizens in a single place." [6, c.5] Progress in this area implies reduction of administrative barriers to provision of various public services, as well as enhancement of a one-stop shop approach.

The fact that access to electronic public services is supported by a single database is a proof of significant progress that Kazakhstan has made in this area. Thus, in its 2018 Report on

E-Government Readiness Index the UN ranked Kazakhstan the 39 country out of 193. As it was noted in the review of "Kazakhstan-2050" Strategy outcomes, "e-government has facilitated interaction between citizens and government to a significant extent." [7, c. 7] The State Program "Information Kazakhstan – 2020" aims to ramp up "the share of automated functions of government agencies, of those that can be potentially automated, to at least 80% in 2017, and 100% in 2020." [8, c.14]

The state corporation "Government for the Citizens" has now been established and is commissioned to provide 100% of public services by the end of 2017. Without any doubt, this new development will promote bureaucracy reduction, publicity and even greater government transparency and competitiveness.

The concept of open government is fully consistent with the goal to enhance competitiveness, which is broadly reflected in Doing Business Index. To Kazakhstan the Index is a strategically important development indicator as it rates business climate and the country's investment appeal that are crucial for both its economic and political advancement. The political interest in achieving a higher Doing Business Index is creation of an image of investment attractive country; the economic one is transition to the third phase of innovative development.

Doing Business Index is annually calculated by the World Bank alongside the International Finance Corporation. In 2019 Doing Business ranking Kazakhstan took the 25 position, which is an improvement against the previous year and a breakthrough for the country. This breakthrough was mainly secured through extensive revision of the legislation, namely, enactment of the law "On Introduction of Amendments and Supplements to Certain Legislative Acts of the Republic of Kazakhstan on Fundamental Improvement of Conditions for Doing Business in the Republic of Kazakhstan."

Another important indicator of economic success is the Global Competitiveness Index, based on which the World Economic Forum publishes its annual report – a global study on economic competitiveness. In 2019 year the above Report ranked Kazakhstan the 53 position. In the Doing Business ranking Kazakhstan maintained its position in the group of countries in transition from the second phase of effective development to the higher third phase of innovative development, where greater emphasis is made on efficiency and innovative development. In its own ranking the World Economic Forum evaluates countries against 12 criteria, and Kazakhstan has become one the top 30 states under two of them. One of the key indicators of Kazakhstan development is the World Bank's ease

of doing business index. It is against this background that Kazakhstan Government promotes the important political and economic goal– transition to the third phase of innovative development and joining the top 30 countries in the competitiveness ranking. Impediments for business development and competitive growth in Kazakhstan are redundant bureaucracy with its complicated permitting system and administrative corruption with its excessive audits by regulatory authorities. In this respect, the opportunities held out by e-government system – online business registration and electronic permitting – promote reduction of bureaucracy and administrative corruption.

Doing Business is an annual study undertaken by the World Bank Group with a view to evaluate the ease of

doing business against 10 criteria. The study is carried out in two stages: analysis of laws and regulations, including any changes that have taken place since the previous study, and a survey of entrepreneurs. Doing Business Index is then calculated based on the study of laws and regulations affecting business in the following areas:

1. Starting a Business
2. Dealing with Construction Permits
3. Getting Electricity
4. Registering Property
5. Getting Credit
6. Protecting Minority Investors
7. Paying Taxes
8. Trading Across Borders
9. Enforcing Contracts
10. Resolving Insolvency

### **Modernization of Medium and Small Business Audit System**

Along with changes in the legislative framework, reduction in the number of business audits by the government is another prerequisite of business development and achievement of a higher Doing Business Index. To that end, a moratorium was placed on checks of small and medium-sized enterprises in the period from April 2, 2014 through January 1, 2015, and January 1, 2015 saw abolishment of routine checks of business entities. Thus, by 2016 the audit system has

changed in the light of in-depth reform of the control and supervision system. "At the moment, there is no such concept of routine checks carried out earlier by all authorities. The lists of audits are now called "schedules of audit under special procedure." Only subjects and objects in a high risk group are included in the audit schedule, the rest can be checked in an unscheduled manner upon citizens' complaints and appeals." [9. C. 45] The new approach to government

audits has rationalized the whole audit process by setting priority tasks, eliminating unnecessary checks and, consequently, limiting the resources of administrative corruption. "The Law "On Self-Regulation" is closely connected with the audit reforms, as it introduces the principle of self-regulation – an alternative to government regulation. International experience has proven that self-regulation by business is more effective, and documents produced by self-regulatory organizations are more up-to-date and professional than laws and regulations developed by authorities. On the one hand, self-

regulation moves away from government control over all market entities towards monitoring of self-regulatory organizations activities. On the other hand, a flexible regulation system is being established keeping with the spirit of the times and meeting business expectations." [10, c. 34]. Experts predict that following reform of the regulatory system and revision of all relevant laws, the amount of small and medium business audits will go down, they will become more selective and less harsh; this will certainly stimulate development of business and the country's economy as a whole.

### **Online Business Registration**

The second change implemented in the process of transition from bureaucratic paperwork to electronic document management was electronic registration of legal entities. Earlier, under the Law of the Republic of Kazakhstan "On State Registration of Branches and Representative Offices" dated 17.04.1995, state registration (re-registration) of small business entities was done within three working days from the date the application was filed with all necessary documents, while state registration (re-registration) of other legal entities was completed in up to ten working days. When an incomplete set of documents is filed, the state registration process is suspended. Such a complicated and

lengthy procedure for filing registration documents allowed for liberal interpretation of its norms by officials exposing businesspeople to corruption risk. This environment fostered numerous semi-legal agency firms undertaking registration of a start-up company for a fee. An important step in the reduction of bureaucratic paperwork and corruption was implementation of electronic registration of legal entities, which resulted in elimination of such not quite legal mediation.

The Law "On State Registration of Legal Entities and Accounting Registration of Branches and Representative Offices" introduced, in December 2013, electronic registration

of legal entities – the private enterprise subjects –facilitated by transition from authorization to notification procedure of legal entities registration. With this new development, small businesses are now registered via the e-government portal and obtain an electronic certificate of registration with the assigned business identification number in just 1 day. "Kazakhstan is in transition from authorization to notification procedure of small business entities registration. One of the areas of government support to private entrepreneurship is establishment of a simplified state registration procedure, the press service of Kazakhstan Ministry of Justice reports." [11, c. 33]

Implementation of electronic business registration improved Kazakhstan's position in 2014 Doing Business ranking where the country climbed up from the 53<sup>rd</sup> to the 50<sup>th</sup> position and made it to the list of countries that showed significant improvements in facilitating business in 2014. To be fair, it should be noted that whereas electronic registration contributed much to simplification of business registration process, it hasn't resolved the problem of business liquidation in Kazakhstan, which in many ways remains corrupt. In this regard, another worthy idea reflected in the draft law "On Introduction of Amendments and Supplements to Certain Legislative Acts of the Republic of Kazakhstan on

Fundamental Improvement of Conditions for Doing Business in the Republic of Kazakhstan" is implementation of not only electronic registration of business, but also liquidation of individual enterprises on the basis of audit opinions and by notification. To that end, Kazakhstan business community has a clear position on the need to simplify the business liquidation procedure and can give a lot of ridiculous examples. Let's have a look at one of them: "With its starting business procedure Kazakhstan can outmatch all other post-Soviet states. An individual enterprise can be established in just three days, all relevant procedures are simplified, and anyone can do that. However, the government decided that now is not the time to rest. It promises to further reduce, in the near future, individual enterprise registration formalities that will only take one day. Thanks to these efforts Kazakhstan has significantly improved its performance in the 2019 Doing Business ranking up to the 25 position. Admittedly, the business community was never much dissatisfied with the IE registration procedure, whereas many more questions arise in the process of liquidation of the same enterprises. In that regard, however, no significant improvement has been spotted, only tax audit for IE liquidation is said to be replaced with in-house review." [12, c.54]

The benefits of electronic business registration are obvious. The next important step is optimization of the inactive business liquidation procedure or its amnesty. According to official data, 1,331 thousand entrepreneurs have been registered in Kazakhstan. Of them, nearly half a million are not active: they suspended their operation but are in no rush to close out officially. Experts argue that business people are not willing to liquidate their enterprises because the procedure is too complicated. "Do we need amnesty of individual entrepreneurs and what bloated far-from-reality business statistics is fraught with? We posed this question to the president of Almaty Association of Entrepreneurs, Viktor Yambayev: "This is a primary corruption scheme. Starting business is no problem, but closing out is. The limitation period is five years; just imagine what amounts can be charged on entrepreneur who failed reporting and close-out. They can go up to 20-30 thousand US dollars! Now, in order to liquidate your individual enterprise, you have to undergo a full-scale audit. It takes much of your time, gets on your nerves, you just don't want to mess with it. That is why we need to implement amnesty of individual

## **Conclusion**

Enhancement of the e-government framework is an influencing factor in modernization of Kazakhstan society

enterprises. It is a very painful issue that requires an urgent solution!"[13, c.45] According to Transparency Kazakhstan experts "it is necessary to simplify the business liquidation procedure to a maximum possible extent, first of all for legal entities that have not been engaged in any economic activities for a long time and are merely registered as legal entities in statistical authorities." Experts representing small and medium business associations estimated the amount of such enterprises to at least 30% all over the country. According to their estimates, liquidation of 43 enterprises "on the black market" of Almaty costs around 20 thousand US dollars.[14,c.89]. These justified appeals for simplified business liquidation have been responded by the Decree of the President of the Republic of Kazakhstan N. Nazarbayev "On Fundamental Improvement of Conditions for Doing Business in the Republic of Kazakhstan" which provides for, without limitation, "simplification of small and medium businesses liquidation procedures and completion of permitting automation before January 1, 2015." [15, c.77]

contributing to better governance in terms of the country's competitive growth, business development,



reduction of corruption, and improvement of transparency and accountability of government institutions. Kazakhstan is striving for reforms in the field of good governance, building capacity of democratic institutes, economic diversification and fight against corruption. In the pursuit of this

goodthe country is facing challenges like corruption, bad governance, weak laws and democratic institutes. By deploying e-government system Kazakhstan takes on the common problems of post-Soviet countries – cleptocracy, oligopolistic market, bad governance and outpacing institutionalization.

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## **РОЛЬ ЭЛЕКТРОННОГО ПРАВИТЕЛЬСТВА В ПОВЫШЕНИИ ЭФФЕКТИВНОСТИ ГОСУДАРСТВЕННОГО УПРАВЛЕНИЯ**

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### **Резюме**

В статье «Роль электронного правительства в совершенствовании государственного управления в Казахстане» рассматривается влияние электронных коммуникаций на многие процессы государственного управления в Казахстане, включая экономику, социальные отношения и политику. В экономике электронные коммуникации влияют на метод получения государственных услуг, регистрацию бизнеса, ведение налоговой отчетности, формирования деловых коммуникаций, интернет - коммерцию, что, безусловно, сказывается на снижении коррупции в государственной системе лицензирования и в улучшении бизнес климата в целом. Антикоррупционный компонент является важным элементом электронного правительства, поскольку услуги электронного правительства снижают фактор реального присутствия чиновников, сводят к минимуму роль посредников в получении государственных услуг в форме разрешений, лицензий и различных документов для ведения бизнеса. Таким образом, электронное правительство, внедренное через портал [egove.kz](http://egove.kz), помогает повысить такие важные конкурентные показатели, как индекс легкости ведения бизнеса и индекс глобальной конкурентоспособности. В социальной сфере электронное правительство влияет на повышение ответственности власти перед обществом, прозрачность общественных и государственных процессов, наличие взаимоотношений между правительством и гражданским обществом. В

политике электронное правительство также положительно влияет на развитие электронной демократии, развитие нетократии – власть электронных сетей, подотчетность и открытость. Статья заканчивается выводом о том, что электронное правительство является важным фактором, который существенно влияет на эффективность государственного управления в целом

**Ключевые слова:** эффективное управление, индекс легкости ведения бизнеса, индекс глобальной конкурентоспособности, индекс готовности электронного правительства, коррупция, электронное правительство, бюрократия, конкуренция, автоматизация государственных услуг, электронный документооборот.

## **ҚАЗАҚСТАН РЕСПУБЛИКАСЫНДАҒЫ МЕМЛЕКЕТТІК БАСҚАРУ ЖҮЙЕСІН ЖЕТІЛДІРУДЕГІ ЭЛЕКТРОНДЫҚ ҮКІМЕТТІҢ РӨЛІ.**

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### **Түйін**

«Қазақстан Республикасындағы мемлекеттік басқару жүйесін жетілдірудегі электрондық үкіметтің рөлі» мақаласында электронды байланыстардың Қазақстандағы көптеген мемлекеттік басқару процестеріне, оның ішінде экономика, әлеуметтік қатынастар мен саясатқа әсері талқыланады. Экономикада электронды байланыс мемлекеттік қызметтерді алу, бизнесті тіркеу, салық есептілігі, іскерлік байланыстарды қалыптастыру және Интернет-коммерция әдістеріне әсер етеді, бұл, әрине, мемлекеттік лицензиялау жүйесіндегі сыбайлас жемқорлықты азайтуға және жалпы бизнес климатты жақсартуға әсер етеді. Сыбайлас жемқорлыққа қарсы компонент электрондық үкіметтің маңызды элементі болып табылады, өйткені электронды мемлекеттік қызметтер шенеуніктердің нақты қатысуын азайтады және бизнес жүргізу үшін рұқсаттар, лицензиялар және әртүрлі құжаттар түрінде мемлекеттік қызметтерді алуда делдалдардың рөлін азайтады. бизнес. Осылайша, [egove.kz](http://egove.kz) порталы арқылы енгізілген электрондық үкімет Doing Business Index және жаһандық бәсекеге қабілеттілік индексі сияқты маңызды бәсекеге қабілеттілік көрсеткіштерін арттыруға көмектеседі. Әлеуметтік салада электрондық үкімет үкіметтің қоғам алдындағы жауапкершілігін арттыруға,

қоғамдық және мемлекеттік процестердің ашықтығына, үкімет пен азаматтық қоғам арасындағы қатынастардың болуына әсер етеді. Саясатта электрондық үкімет электрондық демократияның дамуына, нетократияның дамуына - электронды желілердің беріктігіне, есеп берушілік пен ашықтыққа да оң ықпал етеді. Мақала электрондық үкіметтің жалпы мемлекеттік басқарудың тиімділігіне әсер ететін маңызды фактор екендігі туралы қорытындымен аяқталды.

**Түйін сөздер:** тиімді басқару, бизнесті жүргізу жеңілдігі, жаһандық бәсекеге қабілеттілік индексі, электрондық үкіметтің дайындық индексі, сыбайлас жемқорлық, электрондық үкімет, бюрократия, бәсекелестіктің артуы, мемлекеттік қызметтерді автоматтандыру, электрондық құжат айналымы.

## **E - GOVERNMENT ROLE IN IMPROVEMENT OF KAZAKHSTAN PUBLIC ADMINISTRATION SYSTEM**

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### **Resume**

The article “The role of e-government in improving the public administration of Kazakhstan” discusses the impact of electronic communications on many public administration processes in Kazakhstan, including the economy, social relations and politics. In the economy, electronic communications affect the method of obtaining public services, business registration, tax reporting, the formation of business communications, Internet commerce, which, of course, affects the reduction of corruption in the state’s licensing system and the improvement of the business climate as a whole. The anti-corruption component is an important element of e-government, because e-government services reduce the factor of the real presence of officials, minimize the role of intermediaries in obtaining government services in the form of permits, licenses and various documents for doing business. Thus, e-government, implemented through the egove.kz portal, helps to increase such important competitive indicators as the Doing Business Index and the Global Competitiveness Index. In the social sphere, e-government influences increasing the

accountability of power to society, the transparency of public and state processes, the existence of a mutual relationship between the government and civil society. In politics, e-government also positively affects the development of e-democracy, the development of netocracy - the power of electronic networks, accountability and openness. The article concludes with the conclusion that e-government is important as a factor that significantly affects the effectiveness of public administration in general.

***Key words:*** Good governance, Doing Business Index, Global Competitiveness Index, E-Government Readiness Index, corruption, e-government, bureaucracy, competitive growth, public services automation, electronic document management.