

Laws that establish the institutional framework
for economic reforms in Kazakhstan

1. The extent to which the currency of Kazakhstan is convertible into the currency of other countries.

Article 8 of the IMF Articles Agreement (1996) mandates unrestricted current account transactions.

Article 10 of the Law on Currency Regulation (1996) permits Kazakhstan banks to freely exchange, buy, and sell foreign currency both in Kazakhstan and abroad with the appropriate licenses from the National Bank (virtually all banks possess the licenses).

2. The extent to which wage rates in Kazakhstan are determined by free bargaining between labor and management.

Law on Labor (1999) – replaces collective agreements previously negotiated by unions with separate employment contracts negotiated between individual employees and employers. However, employees or employers who wish to have collective agreements may bargain for such agreements. In collective bargaining, both trade unions and other organizations established by non-union members may represent the employees' side. A collective agreement is valid only for those on whose behalf it was signed. The Law on Labor also states that wages may not be lower than the minimum monthly wage established by the GOK. The minimum monthly wage is set in the annual GOK budget. In 2002, the minimum monthly wage equals 4,181 tenge (approx. \$27.50).

Law on Collective Bargaining Agreements (1992) provides for free bargaining between parties to reach a collective agreement. Parties to the collective agreement should form a bargaining commission that will freely choose and discuss the agreement.

As of December 2001, Kazakhstan has ratified 15 International Labor Organization ("ILO") Conventions: Conventions ## 29, 81, 87, 88, 98, 100, 105, 111, 122, 123, 129, 138, 144, 148 and 155

Article 17 of the Law on Professional Labor Unions (1993) gives labor unions the right to develop social and economic protection plans to protect their members. Unions may establish programs to combat unemployment, to determine fair minimum subsistence rates, minimum wage, pensions, stipends and welfare benefits. Labor Unions may submit their proposals to the appropriate government agencies.

Law on Labor Disputes and Strikes (1996) allows strikers to demand wage increases.

3. The extent to which joint ventures or other investments by firms of other foreign countries are permitted in Kazakhstan

Law on Foreign Investment (1994) – provides guarantees for stability in the legal regime, non-expropriation, freedom to utilize profits made in Kazakhstan, currency convertibility, and access to international arbitration. The law also provides for access to international arbitration and protection against unlawful acts of government agencies and officials.

Law on State Support for Direct Investment (1997) – provides incentives in certain priority sectors to include:

- production infrastructure;
- processing industries;
- objects located in the capital city of Astana;
- housing and objects related to the social sector and tourism; and
- agriculture.

4. The extent of government ownership or control of the means of production

Law on land ownership (2000) – Residential and commercial real estate can be privately owned although the law does not permit private ownership of agricultural land for large-scale agricultural operations. Kazakhstani citizens are allowed to own small plots adjacent to their residences. The constitution allows Kazakhstani citizens to own or lease land or other natural resources according to conditions established by law. Kazakhstani citizens and companies may lease land for up to 49 years. Foreign citizens and foreign legal entities may lease agricultural land for a maximum of 10 years.

Law on Privatization (1995) gives the government the right to sell:

- government-owned enterprise as one entity;
- units of government-owned enterprises if their sale does not break a continuous production process;
- property of government-owned enterprises;
- government-held shares in companies.

The following types of government property cannot be privatized:

- land (unless otherwise stipulated by other laws)

- specially protected nature reserves
- military organizations and objects and their property that are necessary for ensuring national security
- main rail lines, international and military motor roads, navigable waterways, beacons and maritime navigation equipment.
- oil and gas pipelines, power transmission lines with electric current of 220, 500 and 1150 kilovolts
- natural and artificial water reservoirs and dams
- rural medical hospitals and specialized medical organization (e.g. centers for blood, radiation, oncology, TB, AIDS, infection control, venereal diseases, etc.) and hospital that are natural monopolies in their districts
- social welfare objects, orphanages, hospices, hospitals for disabled and war veterans
- primary and secondary schools that fulfill the constitutional right for education
- objects of cultural and historic significance that are protected by the state.

5. The extent of government control over the allocation of resources and over the price and output decisions of enterprises.

Decree on price liberalization (1992) – introduced market prices for most goods in 1992. Not valid since September 2001 because it is longer relevant. Market forces currently determine most prices in Kazakhstan. An exception is made for prices set by natural monopolies. See below.

Law on Natural Monopolies (1998) and Law on Competition and Limitation on Monopolistic Activities (2001) establishes government control over natural monopolies. A natural monopoly is a company that has more than a 35% market share or plays a dominant role in its primary market. The list of natural monopolies includes companies that are involved in:

- oil and oil products transportation via main pipelines;
- gas and gas condensate products transportation via pipelines;
- transmission and distribution of heat and power
- operation of main railroads;
- provision of air navigation, airport and sea and river ports services;
- provision of telecommunication services via local line networks;
- operation of water supply and sanitation systems;
- postal services.

Companies included in the list of natural monopolies may not change their prices more often than once every three months. Their prices are subject to governmental review and approval.

Under the Law on Population Employment (2001), the government sets an annual quota for the number of foreign workers allowed to work in Kazakhstan. Currently, this quota is set at 0.15% of Kazakhstan's total labor force.

Law on Banks and Banking Activity (1995) stipulates that the total registered capital of banks with foreign participation (those having over 1/3 foreign capital) cannot be more than 50% of the total registered capital of all banks in Kazakhstan. Companies registered in offshore zones are not allowed to own shares in Kazakhstani banks. Foreign banks may not operate in Kazakhstan through branches and are required to have either representative offices or subsidiary banks.

Law on Insurance Activity (2000) stipulates that only the government itself (i.e. the Chancery of Prime Minister) may represent the Republic of Kazakhstan in insurance companies. Organization where the state owns more than 50% of charter capital may not be shareholders or founders of insurance companies. Companies registered in offshore zones are not allowed to own shares in Kazakhstani insurance companies.

Law on Mass media (1999) prohibits foreign individuals and companies to directly or indirectly own, use, or manage more than 20% shares in a company that owns a mass media source or works in the mass media sector.