

## **Kazak Oil Controversy**

**Author:** [IWPR](#)

Kazaks question a government plan to invest much of the country's huge oil wealth abroad

A proposal from the Kazak Vice-Premiere, Erjan Utembaev, to create an "oil fund" made up of hard currency earned from the sale of oil abroad, has provoked a storm among those who fear it could be misused by highly-placed politicians and bureaucrats.

Utembaev insisted the fund would be "subject to yearly discussion in parliament along with the budget." This, despite the fact that it would not form part of the Kazak state budget, but stored in separate offshore accounts.

By investing the fund in major foreign companies, the government argues that income could be generated to finance major economic projects in Kazakstan. If, on the other hand, the price of oil fell below a certain level at any stage, the oil dollars in the account could be used to top up the state budget.

The government claims that a fund is needed because Kazakstan is on the brink of discovering vast new oil deposits in Caspian Sea. President Nazarbaev recently announced that one deposit alone contains seven billion tons of oil, which would place Kazakstan fourth in the world for oil reserves, after Saudi Arabia, Iraq and Kuwait.

Western companies investigating the deposits have been more cautious in their estimates, but world sales of Kazak oil look set to rise anyway, with the construction in 2001 of an oil pipeline to Russia under the framework of the Caspian Pipeline Consortium, CPC.

Petroleum exporters such as Kazakstan are also benefiting from the world price of oil, which is currently high.

High-ranking Kazak bureaucrats point to successful western models to support their case for an oil fund. "Many countries have created funds for the accumulation of super-profits from non-replaceable resources.

The best examples of how such funds are managed are Norway, Kuwait and the US State of Alaska," says Kairat Kelimbetov, director of the State Agency on Economic Planning.

Some within the political elite have reservations, however. Nurlan Balgymbaev,

chief of Kazakoil, the Kazak oil company, insists that any such fund should also draw profits from other sectors of the economy, not only oil.

Most parliamentary deputies and independent experts who oppose the idea are

worried about the government's motives. "I'm worried that the Kazak oil fund is to be located in foreign bank accounts, making it very difficult to control" said Gani Kasymov, deputy of the lower house of parliament and head of the Party of Patriots.

Recent scandals concerning monies from oil companies held in secret foreign bank accounts have only increased anxiety about the government's intentions.

Opponents of the fund question the logic of investing huge sums of money abroad when the current state budget is not big enough to increase pensions or properly fund education and healthcare.

But many within the elite support the initiative precisely because the extra income from oil would be held beyond the control of elected parliamentary deputies, who may

want to invest it in social programmes.

Arguments over how the fund should be used or controlled overlook a more immediate question. According to the constitution, the country's natural resources - and therefore the hard currency they generate - are owned by the Kazak people.

"The question is, do the people of Kazakhstan want these profits put aside for the future, or do they want to use them now?" says analyst Mukhamedjan Adilov. "We believe this question should be decided by referendum."

Economist Tolegen Askarov agrees, "The people won't get any dividends from the oil dollars, which according to the constitution belong to them. They'll still have to pay for petrol which keeps going up in price, along with heating and electricity. An oil fund is not going to increase the peoples' confidence in the future."

It is a view shared by many Kazaks, who've yet to see any real benefit from the country's oil riches.

However, while the moral right to accept or reject an oil fund may lay with the people, the decision will be made by parliament, where the government plans to present a draft law in the near future.

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