

IRSTI 06.01.11  
UDC 824.3.025

**A.B. AIDAROVA,<sup>1</sup>**  
c.e.s., associate professor.  
**E.E. DOSMURATOVA,<sup>1</sup>**  
senior teacher, master of economy.  
M. Auezov South-Kazakhstan  
State University<sup>1</sup>

## **PROBLEMS OF ATTRACTING AND USE FOREIGN INVESTMENTS IN KAZAKHSTAN**

### **Abstract**

In this article authors describe importance of foreign investments. Investments play an important role both on macro – and at the micro level. In fact, they define the future of the country in general; the certain subject of managing and are the locomotive in development of economy. Attraction of foreign investments into economy of the republic and their development promote increase in productive potential of her economy; serve as the important instrument of transfer of technical and management skills from abroad. Business, investment activities and state of the economy in general substantially depend on state policy. Private business is not interested in investing the capital in such branches and such projects which do not make rather high profit, but for society and the state they are simply vital (the coal industry, railway transport, roads, agriculture, etc.). The market economy does not solve many other current problems. The state has to take care of all this. A prerogative of the state is also providing appropriate law and order in the country and its national security that in turn, is a basis for development of investment activities. Thus, the economy of any country cannot normally develop, and investments will not be made if the state has not provided the corresponding conditions for this purpose.

Key words: investments, fixed capital, productive potential, profit, economic development, national security.

At the present stage of development of Kazakhstan as a new independent state oriented to market relations, the main direction of economic reforms is the development and implementation of the investment policy of the state aimed at ensuring high rates of economic growth and improving the efficiency of the economy.

To solve these problems, as well as to ensure structural transformations of the economy on the basis of the government's program of actions to deepen reforms and in the conditions of limited domestic sources of financing, it is extremely important to attract foreign capital to the economy of the republic.

Attraction and effective use of foreign investment in the economy of the republic is one of the directions of mutually beneficial economic cooperation of Kazakhstan with foreign countries.

Foreign investments will have a significant impact on the course of economic reforms and offer an objective assessment of the possible negative and positive consequences of attracting external factors of production development, develop an investment policy that meets the interests of Kazakhstan, its people, ensuring the overcoming of crisis phenomena and achievement of long-term goals.

With the help of foreign investments, you can:

- ◆ to really improve the deformed production structure of the economy of Kazakhstan;
- ◆ create new high-tech industries;
- ◆ modernize fixed assets and technically re-equip many enterprises;
- ◆ actively involve the existing potential of qualified specialists and workers of the republic;
- ◆ to introduce advanced achievements in the field of management, marketing and know-how;
- ◆ to fill the domestic market with high-quality domestic products with a simultaneous increase in exports to foreign countries.

Investments are the only real lever of the way out of the crisis to economic development and recovery [1].

It is worth noting that the strategic position of Kazakhstan in the Asian region, the rich mineral deposits, the considerable potential of the AIC, and the high educational level of labor resources have

predetermined the significant role of FDI in the overall flow of external financial resources. Despite the underdevelopment of the infrastructure of the Kazakh economy, the lack of many elements of the market system that provide the climate necessary for investment, in the first years of independence (1991–1993), \$ 1,2 billion was invested in Kazakhstan as foreign direct investment.

According to the National Statistics Agency of Kazakhstan, 995 joint ventures with foreign companies were registered in Kazakhstan. The largest number of them was organized jointly with Turkey, Russia, China, Germany, USA, Italy, South Korea, Great Britain and other countries. Small and mass privatization programs, economic transformations contributed to the emergence of such large enterprises with foreign participation, JSC Tabacco K, with the participation of Philip Morris. In 1993, JV Tengizchevroil was established with the participation of Chevron Overseas Co. (USA) and the Tengizmunaigas Production Association. Due to investments in these two enterprises, the level of foreign direct investment in 1993 amounted to more than 1,2 billion dollars [2].

In addition to foreign direct investment and the creation of joint ventures, there are other forms of foreign capital inflow to the Republic of Kazakhstan, including through the creation of joint and foreign banks. At present, such banks are registered with the National State Bank of the Republic of Kazakhstan. In particular, they are AVN AMROBANK, TEKHAKABANK, ALFABANK and others.

As is known, the main task of the state investment policy of our country is to create a favorable environment for expanding extra-budgetary sources of financing capital investments and attracting private domestic and foreign investments on the basis of further improving the regulatory and legislative framework and state support for effective investment projects.

The main indicator of successful social and economic development of the regions of Kazakhstan is the growth of the gross regional product (GRP). During the years of independence, there has been a stable positive dynamics of GRP growth in all regions of the country.

The regional structure of GRP over the past 20 years has undergone significant changes. So, if in 1993 the largest share occupied by East Kazakhstan, Kostanay and Karaganda regions (they accounted for one third of the total GRP), then by the end of 2018 almost half of the country's economic potential is concentrated in four regions – cities of Almaty and Astana, Atyrau and Karaganda regions.

This is due to the structural transformation of the economy, the industrial development of the country, the creation of new industries and large-scale production in the regions. Thus, the sharp increase in the share of the GRP of Almaty is due to the intensive development of the services sector, covering telecommunications, credit, finance, insurance and other branches of this sphere, and more than fourfold increase in the Atyrau and threefold – the shares of Mangistau region – the dynamic development of the oil and gas industry. At the same time, the share of four agrarian regions – Zhambyl, North Kazakhstan, Akmola, Kyzylorda regions – in 2018 accounts for only one tenth of GDP (13,8%), 2 times less than in 1998 year (26,1%). At the same time, the largest reduction in participation in the production of the republic wide gross regional product during the independence period is observed in Kostanai (9%), East Kazakhstan (7,5%) and North-Kazakhstan (7,1%) regions [5].

Over the past 20 years, sharp changes have been observed in the regional structure of industrial production, so a significant growth in industry is observed in the oil and gas regions of the republic – Atyrau and Mangistau, whose share in industry in Kazakhstan increased from 4,2% in 1998 to 26,9% in 2018 and from 5,5% to 14,8% respectively. In 2018, their share reached 43,2% of Kazakhstan's industrial production and increased more than 9 times. During this period, the contribution to the industrial production of the Republic of Almaty (by 27,6%) and the East Kazakhstan region (by 12,3%) significantly decreased [3].

In less than half a year, investments in fixed assets approached the 2 trillion mark as much as possible tenge (2 billion tenge – 10, 7 billion dollars).

Although the country's economy is experiencing not the best period in its development (in 2018, GDP growth rates decreased from 8 to 6,5%, in the first quarter of 2016 – by 0,7 percentage points compared to the same period last year), but said the growth rate in most sectors of the real sector means creating conditions for the development of the national economy (Table 1, p. 19) [4].

Table 1 – Investments in fixed assets by sectors of the economy of the Republic of Kazakhstan

Total	Total		Growth, %		Share from RK	
	2018/05	2017/05	2018/05	2017/05	2018/05	2017/05
	1897,5	1750,7	127,7%	162,5	112,2%	108,2%
Mining and quarrying industry	876,3	639,9	118,7%	119,4	38,1%	34,6%
Operations with property	364,9	338,3	221,7%	36,6	24,8%	118,3%
Transport and store	340,9	368,5	96,5%	47,8	22,3%	24,4%
Manufacturing industry	228,3	216,7	105,4%	11,6	11,5%	11,7%
Electricity supply, gas, steam and air conditioning	214,5	203,2	101,5%	2,3	7,5%	8,2%
Education	64,2	59,3	108,3%	4,9	3,2%	3,2%
Water supply, sewage system, control over collection and distribution of waste	50,5	52,4	100,4%	2,8	3,6%	3,7%
Agriculture, forestry and fisheries	48,3	54,9	95,3%	-7,6	3,9%	3,6%
Activities in the field of administrative and support services	55,4	37,1	227,0%	28,3	3,8%	2,9%
Wholesale and retail trade of car and motorcycle repair	51,5	55,4	79,0%	-3,9	2,6%	2,9%
Information and communication	40,3	36,7	125,1%	4,8	2,5%	2,5%
Arts, entertainment and recreation	48,9	44,0	120,4%	4,9	1,4%	1,3%
Building	45,6	44,5	104,5%	1,1	1,3%	1,3%
Health and social services	33,7	34,6	106,3%	-1,9	2,2%	2,3%
Financial and insurance activities	26,2	28,3	108,4%	-0,1	0,9%	0,9%
Professional, scientific and technical activities	25,9	24,4	124,1%	2,5	3,7%	3,75%
Accommodation and food services	24,7	35,2	93,6%	-1,5	1,6%	1,8%
State management and defense, compulsory social security	9,8	8,6	149,3%	4,2	3,4%	3,3%
Provision of other types of services	5,2	5,2	165,5%	3,4	2,2%	3,2%

Note – Under the growth to the result in this case is meant the volume index for the period is given without taking into account the deflator. Ranking calculations based on the data of the KS MES of the Republic of Kazakhstan.

The investment activity of the users' subsurface, which has been stable at a high level over the past few years (in the corridor of 20–35%, with the median value of 30%), fell in the first quarter of this year. Taking into account the increase in absolute figures for five months, this distortion can be attributed to the seasonality factor [5].

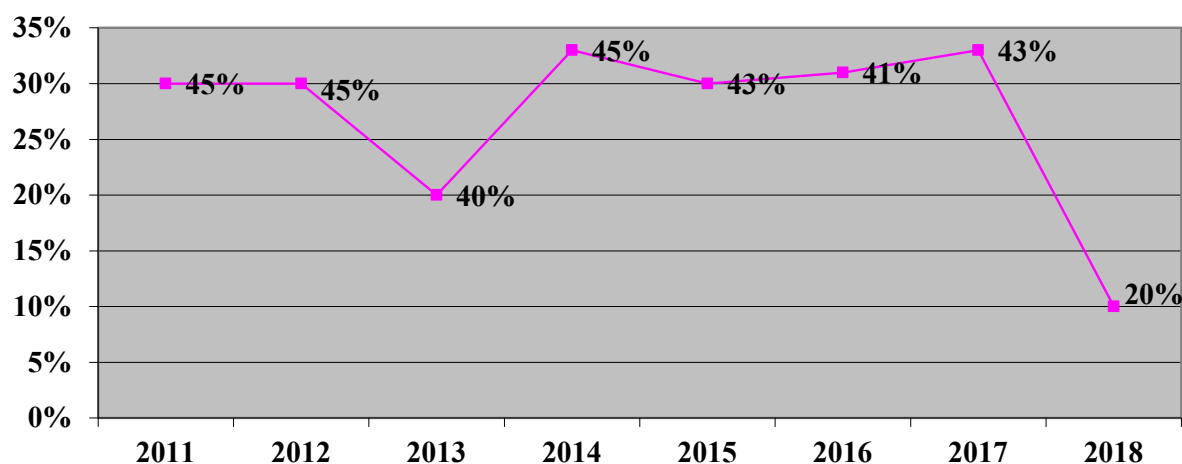


Figure 1 – Investments to the volume of output in the mining sector (%) 2011–2018

However, the investment activity of the main accelerating sector in question – oil production – can be restrained by low oil prices. KazMunaiGas Exploration Production (KMG EP), the third largest company in the sector, has reduced its capital expenditures for this year by 34% from the plan to 97 billion tenge (\$ 457 million). And the largest project of the industry in the next five years – Tengizchevroil’s “Future Expansion Project” worth \$ 23 billion (4,4 trillion tenge) will start no earlier than 2018.

The real estate market is in the stage of increasing investment attraction, although the data from month to month comes mixed. For example, in May, new home sales fell 1,4%.

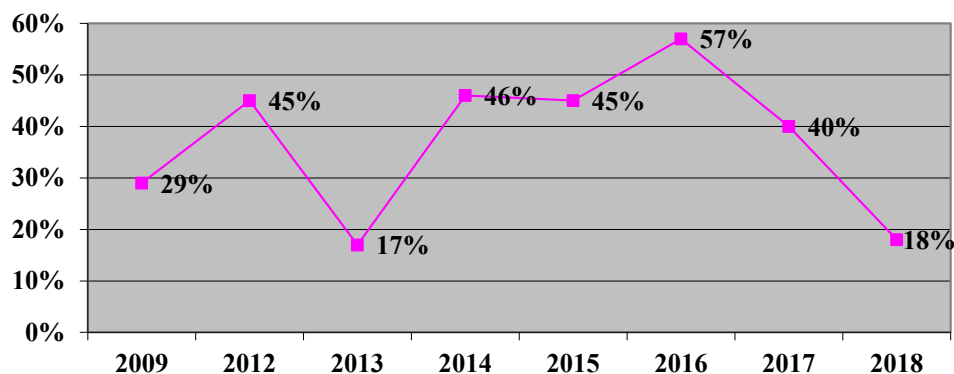


Figure 2 – Investments to the volume of output in the transport and warehousing sector (%) 2011–2018

In January-May of this year, transport and warehousing was invested less than a year earlier, however, significant weight loss of the sector did not happen. There is an anchor investor here – NC KTZH, which plans to launch projects worth \$ 40 billion (7,4 trillion tenge) in 2020, mainly in Kazakhstan. At the moment, the most invest the driver of investment activity in the manufacturing industry is GPIIR for 2015–2019. The following major projects of the program are planned for 2015: Bozshakol Mining and Concentrating Combine KAZ Minerals, the line for the production of motor fuel of Condensate JSC, GOK at the Koktazhasal deposit, Altai Polymetalla LLP, extraction and processing of iron ore with output for the production of BapyMining.ment-attractive is the seaport of Aktau.

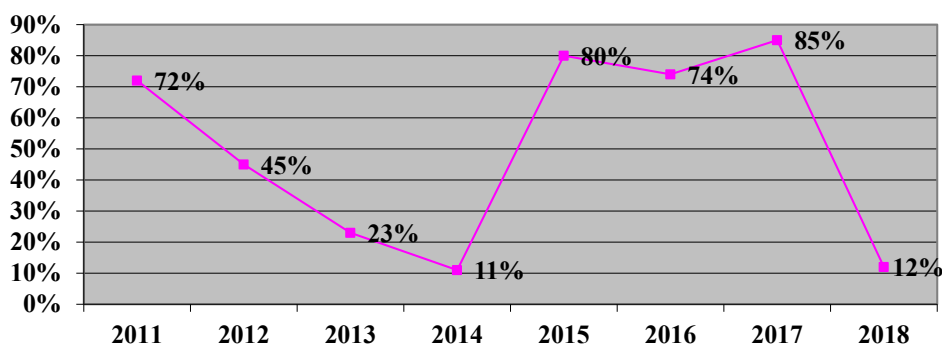


Figure 3 – Investments to the volume of output in the energy sector (%) 2011–2018

The implementation of the “tariff for investment” program (over 700 billion tenge – \$ 3,8 billion) is being completed in Kazakhstan’s electric power industry this year, and state funds flowed into the thermal energy sector as part of the plan to modernize the republican heating networks (KZT 120 billion – 650 million dollars – until 2020).

The Republic of Kazakhstan is moving forward on the development of the industry, successfully implementing the State Program for Industrial and Innovative Development (GPIIR). A convincing evidence of strengthening the economic independence of the republic is the increase in GRP in 2017 compared to the previous year. In recent years, there has been a growth trend in the manufacturing industry and its share in the GRP structure, an increase in the labor industry in the manufacturing industry.

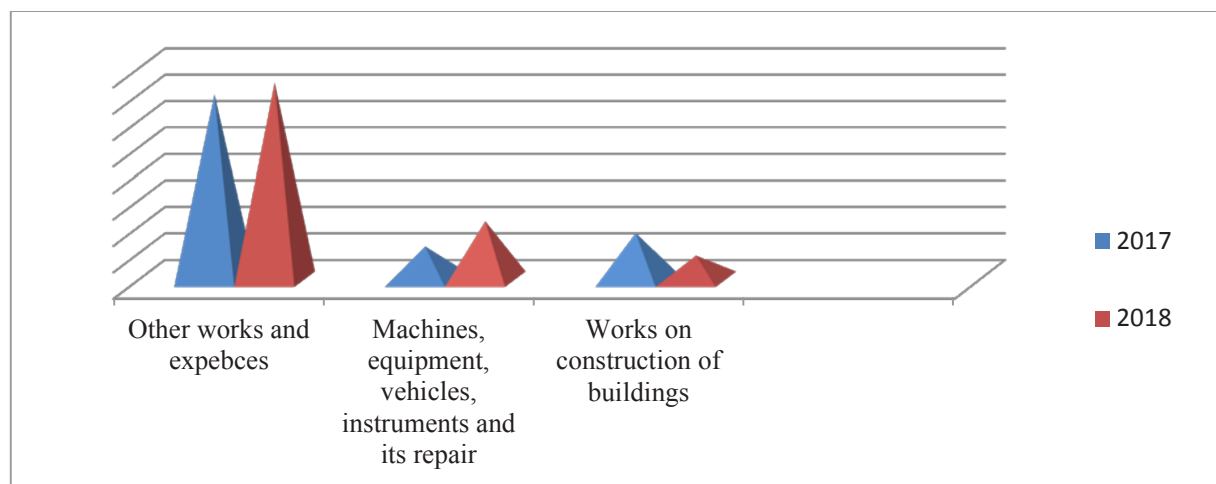


Figure 4 – Priority sectors of Economy for investments [7]

Priority sectors for investment are mining and quarrying (33,8%), transportation and warehousing (14,4%), real estate operations (12,9%) and manufacturing (10,9%).

For the purposes of stable economic development of the regions, the functioning GPIIR, in which diversification of existing production facilities is envisaged, but also increasing their competitiveness, is planned to organize innovative production facilities – the economy of the future. So in the West Kazakhstan will be produced a wide range of products, goods and services, it is planned to divide the production of oil and gas machinery, various construction materials, transport and logistics infrastructure will develop, which will reduce the difference in the use of investment [6].

The development of the regions and the implementation of the GPIID program presumably cost 6,5 trillion tenge. Investments will be provided by private internal and external investors, national managing holdings, and the state budget.

The implementation of this program will allow evenly developing all regions of the country, thus, reducing disproportions, and increasing the stability of the domestic economy. This is due to the inadequacy of funds for implementing structural and investment policies in priority areas, such as fuel and energy, metallurgy, oil production and oil refining, gold mining, transport and communications, and saturation of the domestic market with consumer goods and food. Investment policy is the most important element of the country's economic strategy and is determined by its goals and objectives.

To stimulate foreign investment inflow and financial control over their use, it is necessary to improve the effectiveness of the mechanism of state regulation of the process of attracting foreign aid, which includes the organizational structure for managing foreign investments and a wide arsenal of legal and economic means used by specialists of this structure; to improve the system of insurance and reinsurance of risks; establish high-quality and timely information support for foreign investors; to implement a number of other measures, but most importantly – the investment policy of the Republic of Kazakhstan should be flexible, pragmatic and appropriate to the ongoing internal and external economic realities.



## LIST OF LITERATURE

- 1 The law RK from 27. 12. 2010 № 266 «About foreign investments».
- 2 The law RK from 24. 04. 2012 № 2235 “About taxes and other obligatory payments in the budget”.
- 3 The law RK from 28. 02. 2008 № 75 – 1 ZRK “About the State Support of Direct Investments”.
- 4 The resolution No 1–206 from 21. 03. 2010 of the State Committee of RK on investments “About the adoption of the Frame contract on the state support and granting measures of stimulation to the Investor who is carrying out investment activities to priority sectors of economy of RK”.
- 5 The decree of the President of Kazakhstan from 5. 04. 1997 №. 3444 “About the approval of the list of priority sectors of economy of RK for attraction of direct domestic and foreign investments”.
- 6 The decree of the President of Kazakhstan from 6.03.2011 “About the approval of Rules of granting privileges and preferences at signing of the contracts with the investors who are carrying out investment activities in priority sectors of economy”.

### Аңдатпа

Мақалада авторлар шетелдік инвестициялардың маңыздылығын сипаттайды. Инвестициялар макро- және микродеңгейде де шешуші рөл атқарады. Іс жүзінде олар еліміздің болашағын анықтайды, жеке шаруашылық субъектісі және экономиканы дамытудағы локомотив болып табылады. Шетел инвестицияларын тарту және олардың дамуы экономиканың өнімділік әлеуетін арттыруға ықпал етеді, шекараға байланысты техникалық және басқару дағдыларын алудың маңызды құралы болып табылады. Кәсіпкерлік, инвестициялық қызмет және тұтастай экономиканың жағдайы негізінен мемлекеттік саясатқа байланысты. Жеке бизнес бизнесі жеткілікті жоғары пайда әкелмейтін салалар мен жобаларға инвестиция салуға мүдделі емес, ал қоғам және мемлекет үшін олар өте маңызды (көмір өнеркәсібі, темір жол көлігі, жолдар, ауыл шаруашылығы және т.б.). Нарықтық экономика көптеген басқа да өзекті проблемаларды шешпейді. Мұның бәріне мемлекет тарапынан қамқорлық жасау керек. Мемлекеттің айрықша құзыры – елдегі тиісті заң мен тәртіпті және оның ұлттық қауіпсіздігін қамтамасыз ету, бұл, өз кезегінде, инвестициялық қызметті дамыту үшін негіз болып табылады. Осылайша, егер мемлекет бұл үшін тиісті жағдайлар жасамаса, онда инвестициялар салынбайды, кез келген мемлекеттің экономикасы қалыпты түрде дами алмайды.

Тірек сөздер: инвестициялар, негізгі капитал, өнімділік әлеуеті, пайда, экономикалық даму, ұлттық қауіпсіздік.

### Аннотация

В статье авторами описывается значение иностранных инвестиций. Инвестиции играют важнейшую роль как на макро-, так и на микроуровне. По сути, они определяют будущее страны в целом, отдельного субъекта хозяйствования и являются локомотивом в развитии экономики. Привлечение иностранных инвестиций и их освоение способствуют повышению производительного потенциала экономики, служат важным инструментом передачи технических и управленческих навыков из-за границы. Предпринимательская, инвестиционная деятельность и состояние экономики в целом в значительной степени зависят от государственной политики. Частный бизнес не заинтересован вкладывать капитал в такие отрасли и такие проекты, которые не приносят достаточно высокой прибыли, но для общества и государства они просто жизненно необходимы (угольная промышленность, железнодорожный транспорт, дороги, сельское хозяйство и др.). Рыночная экономика не решает и многие другие актуальные проблемы. И обо всем этом должно позаботиться государство. Прерогативой государства является и обеспечение надлежащего правопорядка в стране и ее национальной безопасности, что, в свою очередь, является основой для развития инвестиционной деятельности. Таким образом, экономика любой страны не может нормально развиваться, а инвестиции не будут вкладываться, если государство не обеспечивает соответствующих условий для этого.

Ключевые слова: инвестиции, основной капитал, производительный потенциал, прибыль, экономическое развитие, национальная безопасность.