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### **Investment policy of Kazakhstan: aspects of development and attraction of foreign investments**

This article examines trends in the development of investment activities and priorities of state investment policy in Kazakhstan. The investment policy is the most important element of economic strategy of the country, and is defined by its purposes and tasks. The investment policy has to assist as much as possible to development of the market relations in the country, production restructuring, and also it is essential to increase investment activity both state, and private domestic and foreign investors.

Formation of the purposeful state investment policy focused on the solution of macroeconomic problems of the state, on intensive structural and technological transformations has to provide strengthening of a regulating and coordinating role of the state in attraction and use of investments. Transition to the market relations, creation of economy of open type demand changes of functions of the state in the investment sphere. Further encourage foreign direct investment in the economy will enable the successful development of infrastructure, human resource disclosure (human) capacity, strong media coverage of investment opportunities in various sectors.

**Keywords:** investments, investment policy, economic stability, capital, foreign direct investment.

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### **Инвестиционная политика Казахстана: аспекты развития и приоритеты привлечения иностранных инвестиций**

В статье рассматриваются тенденции развития инвестиционной деятельности и приоритетные задачи государственной инвестиционной политики в Казахстане. Инвестиционная политика является важнейшим элементом экономической стратегии страны, и определяется ее целями и задачами. Инвестиционная политика должна максимально содействовать развитию рыночных отношений в стране, структурной перестройке производства, а также существенно повысить инвестиционную активность как государственных, так и частных отечественных и иностранных инвесторов. Формирование целенаправленной государственной инвестиционной политики, ориентированной на решение макроэкономических задач государства, на интенсивные структурно-технологические преобразования должно предусматривать усиление регулирующей и координирующей роли государства в привлечении и использовании инвестиций. Переход к рыночным отношениям, создание экономики открытого типа требуют изменений функций государства в инвестиционной сфере. Дальнейшее стимулирование притока прямых иностранных инвестиций в экономику даст возможность успешному развитию инфраструктуры, раскрытию кадрового (человеческого) потенциала, активному освещению инвестиционных возможностей в различных секторах.

**Ключевые слова:** инвестиций, инвестиционная политика, экономическая стабильность, капитал, прямые иностранные инвестиций.

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### **Қазақстандағы инвестициялық саясат: даму аспектілері және тікелей шетел инвестицияларын тартудағы артықшылықтар**

Бұл мақалада Қазақстандағы инвестициялық қызметтің даму тенденциялары мен мемлекеттік инвестициялық саясаттың мақсаттары қарастырылған. Еліміздің инвестициялық аспектісі ірі салымдары қаржыландыру үшін жағдайлар жасауға, тауар өндіру және қызмет етуді жоғары тиімділікпен нарық қатынастары субъектілерінің сұраныстарына сәйкес ұлғайтуға бағытталуы жайлы аталған.

Қазақстан экономикасын тұрақтандыру және дамытудың маңызды жолдары инвестициялық қызметті ұлғайту мен тиімді пайдалану арқылы қарастырылған.

**Түйін сөздер:** инвестиция, инвестициялық саясат, экономикалық тұрақтылық, капитал, тікелей шетел инвестициялары.

Investment will ensure that government is able, through its institutions and entities, policies, legal instruments, budgets and other mechanisms at its disposal, to channel and direct public investment and, where feasible and appropriate, private investment, into economic development to support decent work outcomes. These outcomes include employment creation and broad economic transformation. Investment will in particular be encouraged into activities which have high employment effects[1].

To date, investment situation in Kazakhstan is stable, despite the recession that occurred in 2008 due to the global financial and economic crisis, and therefore attractive for investment. In a different situation in the region is unlikely to be a lot of major investment projects, including those undertaken with the participation of international institutions.

One of the priorities of the state policy of Kazakhstan is the maintenance of a favorable investment climate in the country and further encourage foreign direct investment into the economy. Today, Kazakhstan is a leader on the amount of foreign investments per capita in the CIS. Foreign direct investment per capita in Kazakhstan is about 1300 U.S. dollars.

A favorable investment climate and image of Kazakhstan shows the volume of attracted investments into the Kazakh economy. According to the latest official data, for the period of independence of the Republic in the Kazakh economy has attracted more than 122 billion U.S. dollars of foreign direct investment.

The World Bank recognized Kazakhstan as the country with the most successful reforms to improve the business environment. In the world ranking of countries with the most favorable business climate, Kazakhstan takes the 59th place among 183 countries in the world's. Among the factors affecting the investment attractiveness of Kazakhstan - a comfortable business climate in the country, supported by favorable investment laws, attractive measures to support investment and economic and political stability.

Second - is the richness of the natural and mineral resources. Scientists estimate that Kazakhstan is the sixth largest reserves of natural resources. Of the 110 items in the table of the chemical elements in the bowels of Kazakhstan has 99 elements, explored - 70 are extracted and used - 60.

Kazakhstan is the first in the world in proven reserves of zinc, tungsten and borons, the second -

on stocks of silver, lead, uranium, chromite, third - of copper and fluorite, the fourth - of molybdenum and the sixth - in gold.

Third - its advantageous geographical position of Kazakhstan, giving investors the opportunity to enter the consumer market with a population of almost 1 billion people.

Today the list of the main measures of the state support for foreign and domestic investment in the Republic of Kazakhstan includes: investment preferences (investment, tax incentives, exemption from customs duties, government land grants) identified investment and tax legislation, co-financing projects through the development of state institutions, the right to membership of the major investors Foreign Investors Council under the President of the Republic of Kazakhstan (an indirect measure of support), which is held two times a year under the personal chairmanship of the President of Kazakhstan Nursultan Nazarbayev.

Kazakhstan has established all the necessary legal framework for investment activities. In 2003, the Law «On Investment» (hereinafter - the Law), which fully regulates the legal and economic framework to stimulate investment.

The law, according to international experts, is one of the best laws in the field of investments among the countries in transition.

It guarantees the full protection of the rights of investors and the stability of contracts, as well as a very clear of the state bodies in relation to investors (free movement of capital, repatriation of capital, freedom of use of profits, the right of private ownership of land, including for foreign companies).

It is important to note that the measures of state support of investments shall be equal both to domestic and foreign investors.

The country created all the necessary legal framework for the protection of intellectual property. Legislated Institute for the Protection of Intellectual Property Rights. Accepted fundamental laws to ensure protection of authors' rights - Civil, Criminal Code, the Administrative Code, the Law «On Copyright and Related Rights» [ 2].

In recent years Kazakhstan significantly changed the tax policy in the direction of reducing tax rates. For example, the corporate income tax rate is 20% value-added tax rate - 12%, which is one of the lowest in the world among the standard rate of tax.

In addition, Kazakhstan State program for accelerated industrial and innovative development

for 2010-2014, which meets the essential requirements of investors and includes the creation of accessible infrastructure, favorable regulatory environment, availability of financing and more.

Under the accelerated industrial and innovative development work is under way to create an attractive environment for investors willing to undertake projects in the following priority sectors:

refining and oil and gas infrastructure, mining complex, nuclear and chemical industries with a subsequent transition of primary production to higher stages;

engineering, construction, pharmaceuticals;

agriculture, light industry and tourism;

information and communication technology, biotechnology, alternative energy, space.

Only for the first year of the project put into operation 152 companies that provide permanent jobs for about 24-thousand Kazakhs. Total for the country created about 800 different industries.

The process of reconstruction and development in the chemical industry and light industry, make a breakthrough in agricultural processing[3].

2014 is planned to implement 294 investment projects worth 8.1 trillion tenge.

Kazakhstan, being in the center of Eurasia, connects the major markets of Europe and Russia. Second, in the Republic has the political and economic stability, which attracts investors and sufficiently large investments. Third, it is accepted in principle, quite a liberal tax laws. All this suggests that the investment policy of Kazakhstan aimed at creating an enabling environment for investors, respectively, investment appeal will be strengthened. In any case, the situation for the worse yet in sight.

In 2010-2012, Kazakhstan with an adequate growth of GDP - up to 7,3-7,5 percent respectively. For six months of the year marked a certain slowdown of GDP from 7.5 to 5.6 percent. According to our research of Research, this is mainly due to the decline in the mining industry. In this case, the manufacturing industry has shown rapid growth - 8.6 percent.

As for the changes of the investment environment in the next two or three years, then my forecast real GDP growth of Kazakhstan will be at 6.0-6.5 percent.

Future investment attractiveness of Kazakhstan - is a favorable investment climate and thus the growth of investments. This largely depends on the state, as to attract and retain investors from the state

required actions such as further improvement of the legal framework and enforcement, the development of infrastructure, the expansion of personnel (human) capacity, active coverage of investment opportunities in various sectors and criteria for investment promotion[4].

In Kazakhstan, in particular the state program of forced industrial development, aimed primarily at economic diversification, as far as possible the maximum departure from dependence on natural resources and the share of the mining industry. It is planned that the implementation of the program, the structure of the economy will be a gradual reduction in the share of extractive resources - from about 28 to 22 percent, in industry - from 7 percent to 5 percent. In this higher rate is assumed to be in the industrial machinery, transportation, and in these areas will increase the share of gross output.

Recent years, Kazakhstan's regional leadership consistently maintains the size of attracted investments into the country.

We were the first in the Commonwealth of Independent States formed the modern model of a market economy based on private property, free competition and openness. Our model is based on the active role of the state in attracting foreign investment.

We are attracted to the country more than \$ 160 billion of foreign investment.

Economic growth based on an open market economy with high levels of foreign investment and domestic savings. We aim to achieve real, sustainable and increasing the pace of development. We managed to solve the problem in the shortest historical period.

It is in the Strategy «Kazakhstan-2030» the emphasis has shifted to growth.

As a result, for 15 years the national economy has grown from \$ 1.7 trillion tenge in 1997 to 28 trillion tenge in 2011.

GDP has grown more than 16 times. Since 1999, the annual growth of Kazakhstan's GDP was 7.6% and surpassed the advanced developing countries.

GDP per capita grew by more than 7-fold - from 1 500 in 1998 to 12,000 U.S. dollars in 2012.

Kazakhstan from the beginning has become a leader in the CIS in terms of attracting foreign direct investment per capita. Today it is 9200 U.S. dollars.

We achieved growth in foreign trade by 12 times, and industrial production - by 20 times.

Over the years, oil production increased by 3

times, and natural gas - to 5-fold. Revenues from natural resources, we have sent to the National Trust.

This is our reliable shield against possible economic and financial turmoil. This is guarantee of security for present and future generations.

The program of forced industrialization from 2010 sold 397 investment projects worth 1,797 billion tenge[5].

The investment policy is the most important element of economic strategy of the country, and is defined by its purposes and tasks. The investment policy has to assist as much as possible to development of the market relations in the country, production restructuring, and also it is essential to increase investment activity both state, and private domestic and foreign investors.

Formation of the purposeful state investment policy focused on the solution of macroeconomic problems of the state, on intensive structural and technological transformations has to provide strengthening of a regulating and coordinating role of the state in attraction and use of investments. Transition to the market relations, creation of economy of open type demand changes of functions of the state in the investment sphere. Those in considered area have to become:

- definition of priorities of economic development of the country;
- development of the state investment strategy of the country, both on republican, and on regional levels;
- definition of the list priority for national economy of investment projects;
- ensuring purposeful and rational distribution of the state centralized investment resources;
- creation of conditions for formation and development of institutional investors;
- formation of system of protection and insurance of investments;
- transformation of accumulation in an investment;
- ensuring growth of an internal investment demand.

The analysis of a modern situation in Kazakhstan reflects a picture when we spend a rent of limited natural resources on intellectual which is concluded in the price of goods of a final demand imported by us and by that we invest and we create conditions for the further advancing economic growth of the foreign states. For avoidance of degradation of

scientific and technical capacity of the country and its transformation into a raw appendage of the world market the state investment policy has to proceed from national interests, place emphasis on the domestic investor.

Now the investment policy of Kazakhstan has to be directed on:

- development of real sector of economy;
- development of corporate securities market;
- agro-industrial complex (infrastructure development for the agrarian production, processing productions, agricultural mechanical engineering, chemical preparations for agriculture, introduction of new technologies and training for agriculture, development of social infrastructure in the village);
- release of consumer and investment goods at the level of the international standards;
- strengthening of an export potential;
- development of research infrastructure and scientific and technical potential, including biotechnological revolution, an astronautics, use of natural gas, nuclear and solar energy, a universal computerization and development of system of artificial intelligence;
- development of import-substituting productions.

However the investment policy shouldn't be limited to branch level of economy, it is expedient to consider it and in regional aspect. It is necessary to define the most developed and depressive regions and, proceeding from it, to develop various regional investment programs (for example, creation of more favorable investment climate, the free economic zone announcement, concentration on the priority directions of regional investment resources).

Investment strategy in the conditions of deficiency of the state budget assumes creation of system of the state, mixed and private institutes for implementation of investment programs. By investment strategy spheres of application of the state investments have to be accurately defined. The state has to finance those spheres which development will provide growth of business activity of the private investor. It can be investment projects of production infrastructure (transport, communication, are expensive), various social programs, preparation and retraining of personnel for new productions, research and development financing. In our opinion, division of the state budget (republican and regional) on two parts will be effective: budget of consumption and budget of development of economy. Means of the last can be:



- are directed on investment of the most significant and perspective projects;

- to act as the guarantor when receiving the credit of commercial banks by businessmen of small and medium business;

- are used as joint financing of investment projects.

When forming the state investment policy in the conditions of deficiency of budgetary funds the special attention should be paid to development of the private investor.

As essential obstacle in a way to growth of investment activity non-compliance with the principle of complexity, consistency and validity acts when developing measures of the Government and National bank of Kazakhstan on economic and social situation stabilization in the country. Owing to what the investment policy, despite change of priorities, appeals to restore and develop real sector, differs very low efficiency. Exit from current situation we see in elaboration of qualitatively new investment strategy at the heart of which it is necessary to put:

- strengthening of a coordinating and regulating role of the state on the basis of selective approach;

- definition of priorities has to be interfaced both to comparative competitive advantages, and to the actual directions of global technical and economic development. Paramount value needs to be given to high technologies, investments into innovations which, undoubtedly, will promote creation of new channels of a modulation of the capital, maximize efficiency of investment processes and will provide economic growth at limited investment resources;

- to stop process of a nonequivalent exchange of a non-reproducible natural rent on the intellectual;

- today in the republic function a number of the large enterprises which, possessing powerful production and scientific and technical potential, can provide the accelerated development of the republic. Along with them in the market there are enterprises of the small and medium business which distinctive features is the weak material base and deficiency of investment resources. According to world experience, small and medium business comprises the high economic potential that demands obligatory and urgent definition of their place in a production chain of the large industrial enterprises;

- stimulation of growth of gross accumulation

before providing world level, that is 15-20% from gross domestic product;

- to assist growth of capitalization of all resources in real sector of economy, to create necessary conditions on transformation of all types of savings of physical and legal entities (residents and nonresidents) in an investment into the production sphere;

- at the expense of the state investments to finance only large vital investment projects social and production infrastructure nation-wide value (first of all expenses on research and development, development research, transport and social infrastructure, creation of the uniform information environment);

- to stimulate formation and development of the market of institutional investors by improvement of legislative base and system of protection of interests of investors;

- to stimulate development of stock market. To strengthen a role of the market of corporate securities in transformation of financial resources in production investments;

- to define in a context of investment policy of a common ground innovative, industrial, structural and tax the politician and to send them to one course, on the solution of macroeconomic problems of the state.

The economic policy of the New Deal - a comprehensive economic pragmatism on the principles of profitability, return on investment and competitiveness

According to the message that the head of state announced the strategy «Kazakhstan-2050», the state has the following objectives for 2013: to develop a strategy for effective management of hydrocarbon resources and the lifting of the moratorium on the use of mineral resources[6].

The state, as a general top-manager to change the principles invest policy. The most important - the principle of return on investment, when instead of the exported raw materials in the country opened the latest high-tech industries.

Program of promoting investment for development needs systematic and careful coordination. Building on government's mandate, an overall program and framework to promote appropriate public and private sector investment will be developed together with relevant departments, state entities, and private sector organizations.

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