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ANALYSIS OF INVESTMENT ATTRACTIVENESS OF KAZAKHSTAN

Abstract. The Republic of Kazakhstan is attractive for investors. The factors that ensure the investment attractiveness of the Kazakhstan market include: access to natural resources, market size, strategic location of Kazakhstan, as well as a stable political situation and the availability of an appropriate legislative framework.

In the article the rating of investment attractiveness of Kazakhstan and favorable conditions for investors are considered. The problems and negative factors in the field of attracting investments are identified. It is proposed to stimulate the development of competitive industries by using more actively such proven tools in world practice as special economic and industrial zones, social and entrepreneurial corporations, launching IPO by Kazakhstani companies and the development of the securities market, based on the favorable business climate of Kazakhstan.

Keywords: foreign direct investment; investment climate; investment attractiveness.

Introduction

Business is not easy task and involves certain risks. As usual entrepreneurs are looking for reliable ways to develop and strengthen their business.

Investments - a kind of long-term business plan with the right approach it helps to earn a good income for many years. Recently, more and more foreign businessmen prefer their money to "work" in Kazakhstan.

The Republic of Kazakhstan is attractive for investors. The factors that ensure the investment attractiveness of the Kazakhstan market include: access to natural resources, market size, strategic location of Kazakhstan, as well as a stable political situation and availability of an appropriate legislative framework.

Methods

Kazakhstan is one of the most attractive countries for foreign investment in the world according to the international experts evaluation.

According to the criterion of "investment attractiveness" Kazakhstan in 2018 in the rating "Doing Business" compiled by a group of analysts of the World Bank, ranks 36th (10 indicators) among 190 countries.

According to Forbes Kazakhstan magazine, thanks to the Kazatomprom IPO, the interest of international investors in the uranium industry has revived, as the uranium used in nuclear reactors to produce electricity has become one of the best raw materials of 2018.

Last 12 years, Kazakhstan has attracted 264 billion dollars of direct investments. The Netherlands, the USA, France, Switzerland, Russia and China invest the most in the raw materials sector of the economy. The items of exported goods of Kazakhstan include oil, copper, zinc, slag, ore, mineral fuel, ferrous metals, etc[1].

Here experts note another nuance: in the presence of such a quantity of natural raw materials, the country exports for processing most of it, and then buys again but in the form of a finished product. In view of this situation, opportunities open up for businessmen and investors in the form of construction of plants and companies for processing of natural resources on the territory of Kazakhstan. This will reduce the cost of production for domestic buyers and improve its quality for export.

The country has formed the appropriate services to work with foreign investors: the Council of foreign investors under the President of Kazakhstan, the Ministry of investment and development of
Kazakhstan (operates on the principle of "one window" for investors), the national company "KaznexInvest", the Council to improve the investment climate under the Prime Minister of Kazakhstan, the investment Ombudsman represented by the Minister for investment and development of Kazakhstan, investor councils under the governors of regions, national development institutions.

A new structure was created in the form of JSC "National Company " KAZAKH INVEST", authorized to implement measures of state support for industrial and innovative activities in the field of attracting investments into the economy of Kazakhstan, as well as the development and promotion of exports [2]. It has a wide network of representatives abroad. Provides a full range of services to support investment projects from idea to implementation on the principle of "one window" and acts as a single focal point for special economic zones of the Republic of Kazakhstan (http://www.invest.gov.kz/ru/).

Thus, the institutions represented by the Ministry of investment and development of Kazakhstan and NC "KAZAKH INVEST" are able to assist in resolving the issues of each investor, to open a business and its further work, acting on the principle of "one window", from obtaining a visa to receiving state support [3].

A comprehensive system of state support for investment activities has been introduced in order to create a favorable investment climate for economic development and stimulate investment in the creation of new production, expansion and renewal of existing production facilities with the use of modern technologies, improving qualifications of Kazakhstan personnel, and environmental protection.

The state gives the investor the right to invest in any objects and types of business activity, except as provided by the laws of the Republic of Kazakhstan.

In our opinion, the country provides investors with significant guarantees, such as [5]:

- full and unconditional protection of rights and interests, which is provided by the laws of the Republic of Kazakhstan, as well as international treaties ratified by the Republic of Kazakhstan;
- stability in case of changes in the legislation of the Republic of Kazakhstan (tax, employment in the sphere of attracting foreign labor);
- the right to compensation for damage caused to him as a result of the publication of acts by state bodies that do not comply with the laws of the Republic of Kazakhstan, as well as illegal actions (inaction) of officials of these bodies, in accordance with the civil legislation of the Republic of Kazakhstan;
- stability of the terms of contracts signed between investors and state bodies of the Republic of Kazakhstan (except for cases when amendments to contracts are made by agreement of the parties);
- use of income (at the discretion, after payment of tax liabilities);
- publicity of the state bodies activities in relation to investors and ensuring access for investors to information related to the implementation of investment activities;
- free access to information on registration of legal entities, their Charter, registration of real estate transactions, issued licenses, as well as to other information provided by the laws of the Republic of Kazakhstan, which is related to the implementation of their investment activities and does not contain commercial and other secrets protected by law;
- in case of nationalization and requisition, the Republic of Kazakhstan is fully compensated to the investor for the losses caused, payment is made at the market value of the property;
- transformation of the investor's rights to another person (is recognized as lawful only in case the investor makes investments in the Republic of Kazakhstan and (or) fulfillment of certain contractual obligations by them).

Kazakhstan also provides investment preferences (depending on the type of investment project): exemption from customs duties and VAT on imports, state full-scale grants, tax preferences, investment subsidy, exemption from import duties and taxes in accordance with the tax legislation of the Republic of Kazakhstan.

For obtaining investment preferences, a legal entity of the Republic of Kazakhstan sends to the authorized investment body (MID RK) an application and documents confirming the applicant's compliance with the requirements established by the Entrepreneurial code of the Republic of Kazakhstan. In its turn, investment preferences are provided on the basis of an investment contract signed between the authorized investment body (MID RK) and a legal entity of the Republic of Kazakhstan implementing an investment project [6].
Mainpart

In the first half of 2018, the lowest volume of outflow of investments abroad was recorded—only 532.5 million dollars, of which 198 million were recorded in the second quarter. For comparison for the same period of 2017 the gross outflow of direct investment from Kazakhstan investors were 1.4 billion dollars, and in 2016-2.8 billion [7].

Since September 2016, Kazakhstan has officially announced a new growth management model. Within the framework of development programs in the second five-year plan, Kazakhstan is moving from an economy driven by the factor of "raw material competitiveness" to an economy based on growth due to the "investment factor".

This model is described in detail in the adjusted state program of industrial and innovative development from September 6, 2016. In August 2017, there was launched a detailed investment strategy until 2022. The purpose of the strategy is to create a favorable investment climate and attract investments aimed at improving efficiency [8].

![Figure 1 - FDI Outflows from Kazakhstan, 2 quarter (million USA dollars)](image)

The program was developed with the support of the international expert community and the World Bank groups.

As a result of the initiated processes of modernization of the national economy, the volume of export products in 2017 increased by 31.6% to 48.3 billion US dollars (in 2016-36.7 billion US dollars).

For the second quarter of this year, exports amounted to 15.2 billion US dollars against 12.5 billion for the same period of a year earlier.

Expected events are in the development of Kazakhstan's investment attractiveness in the medium term.

In December 2019, the Ministry of industry and infrastructural development should submit an updated state program of industrial and innovative development of Kazakhstan until 2025. This program is developed on the basis of the National action plan for the implementation of the President's Address to the people of Kazakhstan dated October 5, 2018 "The growth of welfare of Kazakhstan: increasing income and quality of life."

In February 2019, the government created a direct investment Fund in the non-rural material sector, acting on the principle of co-investment with foreign investors, for the implementation of large and breakthrough projects.

Also a new program for the development of the tourism industry for the period of 2019-2025 will be published in February 2020.
In July 2019, the constitutional law on the International financial center "Astana" will be amended to ensure the rapid establishment and development of the center as the main financial platform of the country and the use of its jurisdiction to attract and protect investments.

In August 2019, the Forecast scheme of territorial and spatial development of the country until 2030 was published, which will become a new map of managed urbanization of the country.

The forecast scheme provides a link between the current and long-term, macroeconomic, sector and regional aspects of development. It allows coordinate the actions of business, sector and territorial state bodies and other organizations.

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<th>Table 1-Target indicators of the National investment strategy (%)</th>
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<td><strong>Gross FDI inflows</strong></td>
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<td><strong>Base 2016</strong></td>
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<td>100</td>
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<td><strong>Ratio of gross FDI to GDP</strong></td>
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<td>15</td>
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<td><strong>FDI in the manufacturing industry</strong></td>
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<td><strong>The investment volume in fixed capital of the non-primary sector of the economy</strong></td>
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<td><strong>Foreign investments volume in fixed capital of non-raw material sector of economy</strong></td>
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<td><a href="http://imprim.kz/">http://imprim.kz/</a></td>
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However, almost half of the European Union countries have reduced investment flows to Kazakhstan.

Finland reduced FDI in Kazakhstan by 63.3%, the volume for the year decreased from 30.1 million to 11 million USA dollars. Belgium, a strategic partner, weakened investment flows by 1.9%, which amounted to $19.9 million US dollars. Austria almost completely recovered capital from the economy of the Republic of Kazakhstan for the amount of 14 million US dollars. It has invested only $3.2 million US dollars. A year earlier, Austrian investors invested $86.9 million US dollars in the economy of Kazakhstan.

In general, last year 12 EU countries reduced investment flows to Kazakhstan by 12.2%.

In order to stimulate the development of competitive industries, tools such as special economic and industrial zones, which have proved themselves in the world practice, are being more actively used in the country.

At present there are six special economic zones have been created in Kazakhstan.

The FEZ is faced with large-scale and specific tasks, their solution will contribute to the realization of the economic potential of the regions, improvement of the investment and business climate.
It is also planned to create 2 new FEZs: Khorgos-Eastern gate, Dostyk.

There is a regime of free customs zone on the territory of the zones, as well as significant tax benefits (corporate income tax, land tax, property tax, VAT).

Social and entrepreneurial corporations are another effective tool for economic diversification.

Their main task is to ensure breakthrough development of the regions through the creation of processing industries, the introduction of an effective system of corporate governance, the consolidation of state assets and entrepreneurial initiatives to solve social and economic problems.

A network of these regional development institutions consisting of 7 socio-entrepreneurial corporations has been completed. This allowed cover the entire territory of Kazakhstan. In this way equal conditions have been created for the development of entrepreneurship in all parts of the country. Participation in projects of social and entrepreneurial corporations provides businesses both domestic and foreign, access to financial, land and technological resources [9].

The main problems in attracting investments to Kazakhstan:

— Insufficient investment attractiveness of non-primary sector of the economy (administrative barriers, low development level of transport and communication infrastructure, lack of skilled labor, low capacity of the Kazakh market);
— Insufficient development of the support and protection mechanism of domestic investors in foreign countries;
— Lack of sufficient information on potential investment markets and ways of entering these markets for Kazakh companies;
— Weak development of the securities market;
— Unattractiveness and lack of activity of Kazakhstan companies entering IPO.

In Kazakhstan, there are also negative factors, such as licensing and tax payment conditions, corruption, raiding, lack of skilled labor, poor infrastructure. But, despite the negative factors, the investment attractiveness of Kazakhstan is growing and in the future, big priorities are expected for both domestic and foreign investors.

Thus, the investment attractiveness of Kazakhstan market provide such factors as: access to natural resources, market size, strategic location of Kazakhstan, as well as a stable political situation and the availability of an appropriate legislative framework. All of the above factors may favorably affect the activation of launching IPO by Kazakhstani companies and the development of the securities market of Kazakhstan.

The obtained results (conclusions)

Kazakhstan has the most important task - to become one of the 30 most developed countries in the world by 2050. To accomplish this task, the country is looking for new markets, increasing innovation potential, developing private sector, as well as looking for all opportunities to create an investment climate.

The country strengthen cooperation with Russia, China, European and Asian countries, which will contribute to the growth of the trade potential of the Republic and the emergence of new investment opportunities.

According to many investors opinions the most attractive sector for investment is the energy sector. By 2030, Kazakhstan will become one of the leaders in the energy sector. However, industries such as high technology, telecommunications equipment and infrastructure, as well as professional services have significant growth potential and can become an important source of income and new job places for the country [10].

Over the years of independence, Kazakhstan received the significant volume of foreign direct investment, but these funds were invested in the extraction of raw materials and its export from the country. Low level of investment in such industries as: agriculture, mineral exploration, medicine, infrastructure, manufacturing, science, high-tech industries. Usually there significant budget money is invested but these funds are not always used for its intended purpose.

The government policies and practical events play a key role in formation of the investment climate [11].

Thus, foreign direct investment in the economy contributes to financial stabilization, helps to solve strategic and tactical problems of macroeconomics, such as the fighting against inflation, structural
adjustment, eradication of technological and managerial backwardness of the economy. The efficient use of investment resources is one of the main factors determining economic growth in the long term.

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КАЗАХСТАНДЫҢ ИНВЕСТИЦИЯЛЫҚ ТАРТЫМДЫЛЫҚТАНА ТАЛДАУ

Аннотация. Қазақстан Республикасында инвестордар ушын үлкен қызметшілік тудырақты. Қазақстандың нарықтын инвестициялық тартымдылығы табиғи ресурстарға қағіт көздөмілікті, нарықтын колемділігі, Қазақстандың стратегиялық орналасуын ұйымдастығы, сәуле-көмек қызметін сақтай өсімдік және тінете өзінің бөлінісін қамтамасыз етеді.

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АНАЛИЗ ИНВЕСТИЦИОННОЙ ПРИВЛЕКАТЕЛЬНОСТИ КАЗАХСТАНА

Аннотация. Республика Казахстан представляет для инвесторов большой интерес. Инвестиционную привлекательность казахстанского рынка обеспечивают совокупность доступа к природным ресурсам, величина рынка, стратегическое расположение Казахстана, а также стабильная внутренняя политическая обстановка и наличие соответствующей законодательной базы.

В статье рассмотрен рейтинг инвестиционной привлекательности Казахстана и благоприятные условия для инвесторов. Определены проблемы и негативные факторы в сфере привлечения инвестиций. Предложено для стимулирования развития конкурентоспособных производств более активно использовать такие отрасли, как промышленное производство, REG Агентство, 2018 

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