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## **STRENGTHENING THE POTENTIAL OF THE INVESTMENT CLIMATE OF THE REPUBLIC OF KAZAKHSTAN**

### ***Abstract***

*This article proposes policy alternatives to address the ineffectiveness of implementing measures to improve the investment climate in Kazakhstan to attract investors.*

*In order to assess the above alternatives, five criteria selected - efficiency, implementation cost, political acceptability, public support, and time of implementation.*

**Key words:** *investment potential, investment climate, investor, efficiency, investment policy.*

In the Strategy "Kazakhstan-2050": a new political course of an established state", Kazakhstan is given the task of joining the top 30 developed countries, and modernization of the country in the context of global competition is named as a key challenge.

To solve this problem, as well as to diversify the economy and increase the country's competitiveness, the State Program of Industrial and Innovative Development for 2020-2025 is implemented, according to which a new policy of attracting foreign investment will become a significant measure to saturate the domestic market with the necessary funds. The targeting and efficiency of work with foreign companies, primarily TNCs, and the creation of an attractive investment climate that meets the standards of the OECD countries [1].

Comprehensive pragmatism (in the context of a new economic reality, capital outflow from emerging markets, falling prices for raw materials) means building up the country's economic potential by creating a favorable investment climate. This principle implemented by improving budgetary policy, tax and customs policies, transitioning to a digital economy, exchanging technologies with other countries, promoting the country's investment image, etc. [2].

Thus, the country's economic growth directly depends on the ability to attract foreign investment in production.

In 2017, in his Address to the people "The third modernization of Kazakhstan: global competitiveness", the Head of State noted that Kazakhstan needs to maintain its leadership in attracting foreign investment and instructed the Government to prepare an investment strategy [3].

So, in 2017, together with the World Bank, the National Investment Strategy (Strategy) was developed and adopted, the main goal of which is to create a favorable investment climate and attract investments aimed at increasing efficiency.

The first objective of this Strategy is to create favorable conditions for attracting investment; as its target indicators, the indicators of the GIC WEF and OECD standards are used [4].

The emphasis in the development of the Strategy was placed on the implementation of measures aimed at attracting foreign direct investment in non-resource sectors, primarily export-oriented.

In general, the Strategy pays special attention to attracting and retaining existing investors, as well as stimulating reinvestment.

The Strategy defines clear sectoral and country priorities. Thus, the priority sectors are divided into two groups.

First, these are industries with active potential, such as the food industry, deep processing of oil, gas and minerals (that is, metallurgy, chemistry and petrochemistry), as well as mechanical engineering. This group consists of export-oriented industries in which it is possible to promote FDI aimed at improving efficiency in the short to medium term.

The second group is "promising industries" such as information and communication technologies, tourism and finance. This group consists of industries in which investors may be interested in the long term. If we can strengthen our competitive position or improve the size of the market, these industries can demonstrate good potential to attract investment in the country and become export-oriented service industries. The global economy has seen steady growth in these industries as a whole.

Also, taking into account economic opportunities, the 36 potential countries of the world, of which 11 countries are the highest priority for us (USA, RF, Great Britain, Germany, France, Italy, China, Japan, South Korea, Turkey, United Arab Emirates).

Systemic measures to improve the investment climate in the manufacturing sector will be addressed by attracting at least 10 TNCs to the processing sector of Kazakhstan and increasing the inflow of investments into the national economy, which is assumed to be in the following directions:

1) implementation of country programs to attract investment with priority countries with constant monitoring of joint projects, comprehensive support for each project,

2) support for existing investors (reinvestment). For the subsequent reinvestment in the creation of new types of products or the expansion of existing industries, investors will be provided with comprehensive support, including by promptly responding to the problems that have arisen and solving them by the investment ombudsman.

3) attraction of infrastructure investments through the mechanism of public-private partnership.

4) privatization, within the framework of which the issue of introducing new measures of financial support for the development of the country's economy will be worked out [5].

At the same time, the achievement of the goals defined by the strategy restrained by a number of negative factors, as evidenced by the result of the **SWOT analysis**.

Strengths	Weaknesses
<p>1. Today, Kazakhstan demonstrates a high level of investment potential, and is a leader in attracting foreign direct investment (FDI) in Central Asia.</p> <p>2. In 2017, Kazakhstan became an associate member of the OECD Investment Committee, and the 48th country to join the OECD Declaration on International Investment and Multinational Enterprises, which indicates the compliance of the investment policy pursued with the standards of developed countries of the world.</p> <p>3. In the rating of the World Bank "Doing</p>	<p>1. According to the results of the 1st half of 2020, there is a decline in the manufacturing industry by 11.5%, the possible reasons for which are the completion of the modernization of oil refineries in the cities of Shymkent and Pavlodar, as well as the completion of the Bozshakol GOK in Pavlodar region.</p> <p>2. Insufficiently developed transport and logistics infrastructure causes a high level of transport costs, which negatively affects the competitiveness of goods. The underdeveloped infrastructure of airports and</p>

<p>Business" Kazakhstan has risen by 8 positions and took the 28th place, also Kazakhstan remains the world leader in the protection of minority investors for the second year in a row.</p> <p>4. For the first half of 2018, the largest growth in gross FDI inflows is observed in such industries as information and communications (5.7 times), professional and scientific and technical activities (4.1 times), financial and insurance activities (73.1%), trade (37.3%), transport (21.7%) and mining (13.6%).</p> <p>5. Investment preference:</p> <ol style="list-style-type: none"> <li>tax preferences;</li> <li>state in-kind grants.</li> <li>exemption from customs duties;</li> <li>investment subsidy.</li> </ol> <p>6. An accessible dialogue platform. Meetings of the Council for Improving the Investment Climate are held monthly, where the following topics are considered: "Renewable Energy Sources", "Judicial Reform", "Issues of Economic Diversification: Agriculture, Mining Industry and Technologies", "Opportunities for attracting foreign investment in agriculture and logistics", "On people's health and the health care system", "Investments in the socio-cultural sphere", "Creating a level playing field for investors" and "Waste management strategy"</p> <p>7. The principle of "One window" for investors</p> <p>8. "Investment Ombudsman" to resolve controversial issues before trial.</p>	<p>the lack of railway facilities, as well as the lack of modern logistics centers hinder the development of the country's export potential.</p> <ol style="list-style-type: none"> <li>Administrative barriers (bureaucracy)</li> <li>Corruption burden on investors</li> <li>Instability of tax and customs legislation, and also other legislation, regulating business.</li> <li>Instability of the national currencies</li> <li>Lack of a Database on investment projects for offers to investors.</li> <li>Lack of natural gas and gas price uncertainty</li> <li>Non-compliance with the judicial systems to international standards</li> <li>Not perfected intellectual protection system property</li> <li>Lack of practice responsible business conduct (incl. Social responsibility)</li> <li>Availability of administrative barriers within the EAEU in the field trade.</li> </ol>
<p style="text-align: center;"><b>Opportunities</b></p> <ol style="list-style-type: none"> <li>A legal framework has been created for international investment cooperation with the main partner countries: signed 49 intergovernmental agreements on encouragement and mutual protection of investments (USA, Austria, UK, Germany, Spain, Netherlands, France, UAE, etc.). Also, about</li> <li>There are 12 special economic zones (FEZ) and 22 industrial zones (FROM).</li> <li>Currently in the system monitoring of KazakhInvest JSC there are 188 projects worth \$ 49.8 billion, of which stages of construction and installation works there are 52 projects worth \$ 13.2 billion. dollars.</li> </ol>	<p style="text-align: center;"><b>Threats</b></p> <ol style="list-style-type: none"> <li>Economic stagnation development, middle income trap, Dutch disease</li> <li>The negative impact of growth inflation on the inflow of investments into the economy</li> <li>Nationalization or expropriation of investments</li> <li>Further devaluation of national currency</li> <li>Not profitable economic conditions within the EAEU</li> <li>Low level of education, and consequent shortage qualified personnel</li> <li>External factors (anti-Russian sanctions)</li> <li>Falling prices for basic export goods (oil and metals)</li> <li>Further decline import duties under the</li> </ol>

Documentation is being developed for commencement of construction work on 51 projects at the amount of 12.5 billion dollars, at the stage of development 74 projects worth \$ 23.4 billion 4. Kazakhstan is strategically important geographical location – through transport routes to China pass through it, Europe, the Middle East and Russia (for example, the implementation of the project "Western Europe - Western China").	WTO
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### PEST analysis of the implementation of measures to improve the investment climate

<b>Political aspects</b> Legislation often change. At the same time, the state support for new productions expands in both the legislative sphere and information.	<b>Economic</b> Expansion task set investor access to funding, but increased requirements for the level of economic efficiency of projects.
<b>Sociological</b> Creation of new diversified technologies creates new jobs for different specialties and creates demand for highly qualified work. Implementation of world standards in corporate governance socially oriented business.	<b>Technological</b> Kazakhstan needs to be taken over experience of new technologies, creation new high-tech production, change of technology industries to increase efficiency and resource saving

In general, a number of problematic issues have been identified related to economic, legal and regional restrictions. The most frequent constraints in implementation investment projects are issues related to insufficient 6 developed infrastructures, administrative and corruption burden on investors, instability of legislative norms, etc. [6].

It is proposed to consider the following political alternatives:

**Political Alternative # 1 - Status Quo.** Improvement of the condition infrastructure. To improve the condition of infrastructure facilities in work is underway to expand the use of PPPs in all sectors of the economy and the implementation of "pilot" PPP projects in the spheres transport, health care, education and science, water supply from elements of world practice of PPP instruments, as well as to simplify the order of passage, procedures for the preparation and implementation of "small PPP projects".

Also, the Ministry of National Economy of the Republic of Kazakhstan and local executive bodies determined the list of republican and local pilot concession projects in the field of transport, preschool education, health care and local development infrastructure (construction of roads, hospitals, kindergartens, water utilities, etc.), through which the work on their implementation will be introduced.

At the same time, in November 2018, in pilot mode, points of collection of tolls from motorists on the Almaty - Kapshagai highways, Almaty - Khorgos and Astana - Temirtau. In general, in 2020 year; about 6.6 thousand km be covered by the toll collection system [7].

However, many investors point out that in order to increase investment attractiveness Kazakhstan needs to invest in infrastructure and urban development projects due to the huge territory of the country and low population density. Underdeveloped transport and logistics infrastructure determines a high level of transport costs, which negatively affects

competitiveness of goods. Underdeveloped airport infrastructure and shortage of railway facilities, as well as a shortage modern logistics centers restrain the disclosure of export potential of the country.

At the same time, a number of identified problematic issues in the industry in the context of the implementation of the task of complete gasification of the regions of the country. Objectives include the geographical specifics of our country, before its entire length and insufficiently developed transport communications, but also low intelligence in large areas small and medium hydrocarbon deposits of regional significance. TO subjective - imperfection of management models, excessive centralization and monopoly of the gas industry. Critically revise domestic and world experience in gasification of territories and investment priorities in gas supply required.

In general, it should be noted that further development infrastructure would help attract investment, taking into account the fact that Kazakhstan occupies a strategically important geographical position - transport routes to China, Europe pass through it, the countries of the Middle East and Russia. Analysis of the criteria indicates that some time for implementation and to obtain an economic effect, however this task is one of the priorities, in connection with which supported.

**Political Alternative # 2** - Creation of a base of investment projects requiring investment. Formation and systematization a high-quality package of promising investment (niche) projects for offering to investors. Currently, KazakhInvest JSC together with Deloitte prepared investment proposals for 48 niche projects in priority sectors of the economy. The specified investment proposals include teasers, business plans, financial models and other necessary information on projects [8].

However, this base is not able to meet the needs potential investors. In addition, this system must include investment projects of akimats requiring financing. At the same time, it should be noted that there is no electronic database of the projects requiring investment. This alternative is acceptable, but requires financial resources from the budget.

**Political Alternative # 3** - Creating Conditions for Reducing administrative and corruption burden on investors, ensuring more effective support of investors entering the national market.

In 2016, the second investment climate review was carried out experts of the OECD, which resulted in recommendations for reducing the administrative and corruption burden based on international experience that will help make it easier to do business in our country:

- adjusting the sectoral program to counter corruption in the Republic of Kazakhstan for 2011-2015 and an action plan on its implementation, with proper monitoring, including with the participation civil society, with consideration of the results in meetings Commission under the President of the Republic of Kazakhstan;
- development of a methodology for assessing the problem of corruption, covering both the public and private sectors;
- broad involvement of civil society organizations in formation and implementation of anti-corruption policy;
- continuation of the harmonization of legislation on corruption offenses (Law "On Combating Corruption", Criminal Code, Code of Administrative Offenses);
- availability of mandatory anti-corruption expertise of all projects normative acts; eight
- concretization of the main directions of reforms in the field state financial control in order to clearly separate key functions: external audit, internal audit, internal control, financial inspections;
- continuation of the reform of the legislation on public procurement, in particular, significantly reduce the number of areas that do not fall within subject to the Law on Public Procurement, to provide competitive procurement procedure based on the law and in accordance with international standards for national management holdings, national holdings, national management companies, national companies and legal entities affiliated with them;

- amendments to legislative acts in order to strengthen independence of the judiciary and judges;

- reduction of licensing, licensing covers types activities that in world practice do not belong to the category licensed (construction, grain export, tourism and sports). For example, in most developed countries of the world are licensed only 5-10 species activities such as healthcare, pharmaceutical and chemical industry, production of dangerous goods, raising funds from the population;

- consideration of legislative and other measures to establish proper reporting, disclosure, internal and external audit, financial control and security in general transparency of the activities of national managing holdings, national companies, national development institutions, national holdings and other similar legal entities.

A lot of work currently done to implement data recommendations.

**Political alternative #4** - improve the conditions for informing about innovations in legislation and interaction with state bodies. Simple and transparent methods interaction and feedback with regulatory authorities has a significant role in creating a favorable climate. In this regard, the country has set the task of simplifying state procedures, including administration business: reducing inspections, automating inspections, payments, and service delivery, and reducing deadlines through the development and implementation of new technologies, information systems that exclude manual work of employees. In addition, measures implemented to provide advice, simplify the rules for obtaining services, and an MFC created where investors can apply for the services of state bodies.

However, international experience shows that there is a potential increase customer centricity tax and customs authorities in connection with the creation of new technologies. For example, the portal of electronic the government's integrated with the systems of other bodies, all notices of public authorities can come in to your personal account, which is tied to the mobile phone number, which may come alert. This measure is also considered by the State Revenue Committee, but requires changes in legislation and financial resources.

In the UK, for example, the tax authorities have created a robot that interacts with taxpayers online. In Politics the Eurasian Economic Union is aimed at total control of trade transactions - the greater the openness of business, the less control measures and interaction with tax and customs authorities. This, coupled with the acceleration of modernization, is one of the reasons for the changes in the legislation.

In addition, to automate some government services, for example, changing information about the management of a foreign legal entity companies in online mode, there is no nationwide online system of notarized documents available to public authorities, which protected and would exclude the possibility of filing forged documents. Thus, this problem is intersectoral and requires the development of a separate strategy and regulation. Currently, these issues raised in the state program of Digital Economy. Kazakhstan and plans for its implementation, but the regulatory framework does not contain the concept of improving interaction with the population.

### **Recommendations.**

In order to improve the investment climate, it is proposed to create attractive conditions for investors, both economic (special regimes), and information and coordination (creation of project bases and institutional support) and demand from the state (for infrastructure and technology development through intergovernmental cooperation). In general, these alternatives do not exclude one another, since they are multidirectional, but at the same time, their implementation should show a synergistic effect in the growth of investment in the country.

Political alternatives proposed to solve this problem:

- It is necessary to review critically, taking into account the world experience, the domestic experience in developing infrastructure and attracting investment in this industry. To improve infrastructure facilities, it is proposed to expand the activities for the implementation of PPP projects, as well as to consider foreign experience in the development of PPP, etc.;

- Creating a project database and forming a package of promising investment (niche) projects to offer to investors;

- To make changes and additions to the relevant NPA to eliminate the administrative and corruption burden on investors, 10 to ensure more effective support for investors ' entry into the national market;

Develop clear guidelines for tax and customs authorities to notify about innovations, improve information work and continue to work on simplification of procedures.

It is proposed to introduce an Investor Consultation Center on tax Issues of the type of ECC 1414 and "One Window" (JSC "KazakhInvest"), as well as to strengthen the role of the EXPAT Center of the MFC in supporting investors to promote the goals of the investment strategy.

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## **ҚАЗАҚСТАН РЕСПУБЛИКАСЫНЫҢ ИНВЕСТИЦИЯЛЫҚ АХУАЛЫНЫҢ ӘЛЕУЕТІН НЫҒАЙТУ**

### **Аңдатпа**

*Бұл мақалада инвесторларды тарту үшін Қазақстандағы инвестициялық ахуалды жақсарту жөніндегі шараларды іске асырудың тиімсіздігі проблемасын шешу үшін саяси баламалар ұсынылады.*

*Жоғарыда аталған баламаларды бағалау үшін бес критерий таңдалды - тиімділік, іске асыру құны, саяси жарамдылық, қоғамдық қолдау және іске асыру уақыты.*

**Түйінді сөздер:** *инвестициялық әлеует, инвестициялық климат, инвестор, тиімділік, инвестициялық саясат.*

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## **УКРЕПЛЕНИЕ ПОТЕНЦИАЛА ИНВЕСТИЦИОННОГО КЛИМАТА РЕСПУБЛИКИ КАЗАХСТАН**

### **Аннотация**

*В данной статье предлагаются политические альтернативы для решения проблемы неэффективности реализации мер по улучшению инвестиционного климата в Казахстане для привлечения инвесторов.*

*Для оценки вышеперечисленных альтернатив были выбраны пять критериев - эффективность, стоимость внедрения, политическая приемлемость, общественная поддержка и время внедрения.*



**Ключевые слова:** инвестиционный потенциал, инвестиционный климат, инвестор, эффективность, инвестиционная политика.

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## **МЕХАНИЧЕСКАЯ ПРОЧНОСТЬ ВОЛОКОННЫХ СВЕТОВОДОВ И ВОЛОКОННО-ОПТИЧЕСКИХ КАБЕЛЕЙ**

### **Аннотация**

*В статье приведены результаты исследований механической прочности волоконных световодов волоконно-оптических кабелей. Рассмотрены факторы, влияющие на прочность световодов, что является снижением прочности оптоволокна. Описаны воздействующие нагрузки на трещины и причины роста трещин в оптоволокне.*

*Так же рассмотрены различные механические воздействия при изготовлении, прокладке и эксплуатации оптических кабелей и меры предосторожности предотвращения этих воздействий.*

**Ключевые слова:** оптические волокна, микротрещины, световод, долговечность, механические нагрузки, деформация, защитная оболочка.

### **Введение.**

Современный этап развития техники связи характеризуется проведением интенсивных работ в области волоконно-оптических систем связи (ВОСС). Такой большой интерес к ВОСС обусловлен возможностью передачи широкополосных сигналов по оптическим волокнам (ОВ) на большие расстояния. При этом реализуется целый ряд преимуществ ВОСС, обусловленных применением в качестве направляющих систем оптических кабелей (ОК) связи: высокая скорость передачи цифровых сигналов, большая длина регенерационного участка, высокая помехозащищенность от внешних воздействий. В настоящее время проводятся активные работы по внедрению ВОСС на сетях связи различного назначения. При этом темпы роста новых технологий таковы, что промышленность существенно отстает по темпам их развития. Подобная тенденция сохраняется как в области создания систем дальней связи, так и в области локальных сетей.

### **Основная часть.**

В настоящее время существуют две тенденции развития волоконно-оптических систем связи (ВОСС). Первая из них связана с созданием ВОСС со сверхвысокими скоростями передачи информации, вторая с расширением области применения ВОСС в различных отраслях промышленности (энергетика, авиация, железнодорожный и автомобильный транспорт). Основным элементом любой волоконно-оптической системы связи является ее направляющая система, в качестве которой используется волоконно-оптический кабель связи. Поэтому при рассмотрении вопроса надежности и долговечности функционирования таких ВОСС решающее значение имеет