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## ECONOMIC DEVELOPMENT OF KAZAKHSTAN: INVESTING IN INNOVATIONS

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**Abstract.** Nowadays, industrial and innovative development seems to be the only way towards achieving sustainable development of the economy of Kazakhstan. However, it is not so simple, as industrial and innovative development requires a huge amount of investments from within and outside the country. The importance of investments in innovations for the economic development of Kazakhstan, as well as the current investment tools used are considered in this article.

**Key words:** economic development, innovations, investment, Kazakhstan, accelerated industrial and innovative development.

**Түйін.** Қазіргі заманда, индустрия-инновациялық даму Қазақстан Республикасының экономикасының өркендеп дамуы үшін тек бір жол болып саналады. Бірақ, бұл оңай емес, себебі индустрия-инновациялық даму үшін мемлекет ішінен және сыртынан көп қаражат керек. Бұл мақалада инновацияға деген инвестицияның маңызы және Қазақстан Республикасының экономикалық дамуы үшін инвестициялық құралдар талқыланады.

**Түйін сөздер:** экономикалық даму, инновация, инвестиция, Қазақстан, индустрия инновациялық даму.

**Аннотация.** В настоящее время, индустриально-инновационное развитие является единственным путем к достижению устойчивого развития экономики Казахстана. Тем не менее, это не так просто, так как индустриально-инновационное развитие требует огромных инвестиций как внутренних, так и иностранных. В данной статье рассматривается важность инвестиций в инновации и использование инвестиционных инструментов для экономического развития Казахстана.

**Ключевые слова:** экономическое развитие, инновации, инвестиции, Казахстан, форсированное индустриально-инновационное развитие.

Kazakhstan in its development has set new directions for stabilization of the national economy as a key factor, which was the rule of three "new": a new decade, a new economic growth and new opportunities. An important basis for the realization of this rule should be restoring the pace of economic development based on the diversification of the economy and, first of all – development of production of own native products. In this respect, boost industrial-innovative development of the economy is the determining point in economic development of Kazakhstan.

Proper economic policy is a key to successful development of the country as a whole and is an important component of its investment policy. The analysis of current problems of Kazakhstan's economy by Aktymbayev (2012) leads to the conclusion that existing investment policy needs to be improved. The importance of investment policy lies in the creation of the "future" of the economy: the definition of priority sectors, rehabilitation and improvement of basic production assets./1/

The Address of the President of the Republic of Kazakhstan in December 2012 became a new benchmark in the history of the country and determined the course of further economic, social and political modernization, enthusiastically supported by many thousands of scientists and engineers of the country. Especially noteworthy the point of the Address in which Nursultan Nazarbayev gave the course of innovative approaches to economic and technological reorganization of the State: the strategy of industrial-innovative development, production and creation of economic clusters and unique national innovation system. These provisions laid the basic foundation of the future economic and technological power of the state, the foundation of the development of competitive production /2/. In recent years, Kazakhstan has been developing very dynamically. Economic growth was accompanied by a decrease in unemployment and rising real incomes. Kazakhstan is considered a leader among the CIS countries in number and quality of recent reforms and economic development indicators. The positive trend observed in recent years has been largely caused by a favorable situation on the world commodity markets, rather than qualitative changes in the economy of the country and may not be sustainable:

- A key factor for the competitiveness of the economy is productivity, Kazakhstan falls behind even many developing countries, as significant gaps persist in key sectors of the economy;

- Many promising sectors that determine the development of the world economy in the medium and long-term periods are virtually not present in the structure of the economy of the Republic of Kazakhstan;

- The structure of the economy is dominated by commodity exports and the industry that makes the country particularly vulnerable to price fluctuations on the world market is the cause of high differentiation of regions by income;

- More or less open to foreign investment is mining (unlike Russian Federation the Republic of Kazakhstan has a direct access of foreign investors to raw materials: the share of foreign companies in the oil and gas in Kazakhstan is 70-80%);

- The lack of development of small and medium-sized businesses;

- Additional risks for sustainable development is a gradual strengthening of volatility in commodity and food prices, as well as a high proportion of continuous production and concentration in the economy/3/.

In 2010, the State Program of Accelerated Industrial-Innovative Development for 2010-2014 was adopted; its main objectives are to create a new export-oriented high-tech manufacturing; infrastructure development; national innovative system strengthening; local personnel development.

In the context of the Program of Accelerated Industrial Innovative Development, efforts are underway to create attractive conditions for investors who are ready to implement projects in the following high-priority sectors: oil processing and oil and gas sector infrastructure; mining metallurgy complex; nuclear and chemical industries, including further transition of Rough Manufacturing to higher manufacturing levels; Engineering; building industry; pharmaceuticals; Agriculture; light industry; tourism; Information and communications technologies; bio-technologies; alternative energy; space activities /4/. A key basis for sustainable development of the country is that the country should express the diversification and competitiveness of the national economy. The most important task here is a comprehensive growth of labor productivity, as this indicator in Kazakhstan still lags behind the developed countries. So, if one worker produces per year production of 17 thousand dollars, in the developed countries - 90 thousand dollars. In order to achieve greater productivity, one can use active innovation in all sectors of the economy. That is why on behalf of the President of Republic of Kazakhstan it has been developed a state program of accelerated industrial-innovative development and a detailed map of the country's industrialization. Of course, for implementation of the program enormous financial resources will be needed/5/.

At the times of the global financial crisis, the government of Kazakhstan has been a major investor in the national economy. And it was a necessity since the other way just did not exist. But now Kazakhstan needs to move on. It is important to be able to use all available domestic financial resources and attract to the country as much foreign direct investment as possible to address the above mentioned key objectives of diversification and modernization of the economy, shifting the focus from credits

because they are very expensive today and are mostly available on a short notice /6/. The peculiarities of current development of the national economy of Kazakhstan determined that in circumstances where it is a shortage of funds, the state should primarily support the implementation of investment projects in the non-oil sectors of the economy. According to Abishev(2011), the important mission of Kazakhstan was created in 2008 following the example of Singapore and Malaysia's experience in managing state assets and the assets of financial institutions for development of JSC "National Wealth Fund of "Samruk - Kazyna"/7/.

Kazakhstan has good fundamentals for economic development and investment attraction, because it has a strategic location between East and West. Private equity funds which have recently appeared in Kazakhstan tend to be an important financial tool for attracting investments in the country. Direct investment is the most flexible type of financing for business development. Private equity funds, as opposed to portfolio investors, invest directly in real assets and contribute to improving business efficiency. In the nearest future, in Kazakhstan it is planned to establish an agricultural private equity fund, which will focus on the development of agriculture and to assist the SMEs Agrarian and Industrial Complex by purchasing some of their equity. Also interesting areas of investing which are relevant today in Kazakhstan are SMEs, infrastructure, and energy sector, including alternative energy/7/.

Modern financial and economic crisis is a chance to mobilize efforts and resources on the implementation of a technological breakthrough in the economy, because only this can provide a breakthrough in the long term stability and sustainable economic growth. This will require large-scale renovation of the whole production base of the real sector of the economy of the Republic, as it is 70-80 % morally and physically obsolete/7, p.25/. Without solving this practical problem it cannot count on the progress of society in the XXI century. Therefore, it is appropriate to focus some of the financial resources of the country properties, including part of the oil revenues and accumulated pension funds for technical and technological equipment of newly created enterprises in sectors of priority for the development of the national economy.

At the same time we cannot allow a multibillion country's financial resources earmarked for the industrialization of the economy to be squandered, spending every tenge should be given high returns in the future, and this should be provided by the strictest control of the state. Only by joint efforts the targeted government and private businesses, as well as the National Welfare Fund "Samruk- Kazyna" SEC it is possible to accelerate modernization and diversification of the national economy based on new technology, thereby improving productivity and competitiveness of goods and services in the post-crisis period. Parliament together with the Government did a great job, taking as soon as possible important bills, the methods corresponding minimization of the global financial crisis on the construction industry, agriculture, banking system, small and medium-sized businesses, as well as to ensure the social protection of the population from the negative effects the crisis of the world economy had brought.

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