

Prospects for Sustainable Development of the Kazakh Economy in the Context of a Pandemic

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Abstract: The study presents the results of the socio-economic development of the Republic of Kazakhstan for 2020, which defines not only the results of activities in the context of a pandemic, but also the guidelines for the development of the Kazakhstani economy for the future. In the conditions of an unstable economy, it becomes critically important to increase the self-sufficiency of the economy of the Republic of Kazakhstan on the basis of a system of measures to increase the stability of the economy of the Republic of Kazakhstan to crisis phenomena in the economy. State regulation of sustainable development is aimed at disclosing the industrial potential of individual regions and territories of the Republic of Kazakhstan. In addition to social support measures to mitigate the negative consequences of the pandemic, create and preserve jobs, an anti-crisis program, an employment roadmap was considered, key problems of the development of the real sector and entrepreneurship, fiscal and monetary, investment, social, foreign trade and regional policies were analyzed.

1 INTRODUCTION

Today, the world economy is in its deepest recession in 100 years. The accumulated structural problems in the global economic architecture, such as growing inequality between developed and developing countries, trade and sanctions confrontations, changes in the labor market against the backdrop of comprehensive digitalization, are complicated by the so-called “coronacrisis”. There is a high level of uncertainty in the capital and commodity markets associated with the current and likely re-emergence of the pandemic.

In the context of the coronavirus pandemic and new economic challenges, one of the most significant problems in many states is the prevention of an increase in unemployment, the creation of permanent jobs, and the search for new forms of employment. Judging by the official data, the domestic economy is developing and even the quarantine restrictions caused by the pandemic (the conditions of the pandemic and the restrictions

caused by it) were a kind of impetus for further growth. The strategic goal of Kazakhstan is to become one of the 30 developed countries of the world by 2050. In the “Concept for Kazakhstan's joining the 30 most developed countries in the world”, approved in January 2014, the average annual GDP growth rate, in case of maintaining a favorable economic environment, is set at 5.5% (On the Concept for Kazakhstan's entry into the 30 most developed countries in the world, Decree of the President of the Republic of Kazakhstan dated January 17, 2014 No. 732). However, the crises of 2014-2015, as well as the current crisis associated with the spread of the coronavirus, have a constraining effect on economic growth, drastically changing the baseline development scenario for Kazakhstan.

The Leader of the Nation, the Elbasy, at an expanded meeting of the Nur Otan party council on August 21, 2019, set the task of ensuring 7.5% growth in Kazakhstan's GDP (An expanded meeting of the Political Council of the "Nur Otan" party was chaired

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by Elbasy. August 21, 2019). In today's realities, achieving such a high economic growth rate of 7.5% is an ambitious task.

2 RESEARCH METHODOLOGY

At present, due to the slowdown in world economic growth and high uncertainty about the duration of restrictive measures, a deep change, a "reset" of economic policy, is required. Today, many countries are looking for new drivers of economic development to ensure self-sufficiency and sustainability of the economy, as well as food security.

The theoretical basis of the scientific research was the theoretical concepts and methodological developments of domestic and foreign scientists on the problems of regional development, and in addition, general scientific methods were used, including the systems approach, network theory, the method of expert assessments, the classification of species, the comparison method, methods of quantitative analysis and some others. Periodic, statistical, analytical and translated literature in the direction of research was used as information resources.

The purpose of the study was to analyze and assess the directions of state support for the industrial policy of the regions of Kazakhstan in order to determine comprehensive measures to overcome the crisis in the economy and minimize losses caused by restrictions in the context of a pandemic.

To ensure the continuous growth of the economy, it is necessary to conduct an analysis and a critical review of the prospects for further development, which will make it possible to take timely measures to prevent negative trends in the economy, and therefore create a favorable environment for further economic growth.

When developing the State Program for the Development of the Regions of the Republic of Kazakhstan until 2020, the materials of the applied research "Expert and analytical support for improving regional policy in terms of conceptual adjustment of the provisions of the Program for the Development of Regions" were used (Materials of applied research "Expert and analytical support for improving regional policy in terms of conceptual adjustments to the provisions of the Regional Development Program"). The assessment of the State Program was carried out on the basis of the Methodology for assessing the Strategic Development Plan of the Republic of Kazakhstan and government programs (Methodology for assessing the Strategic

Development Plan of the Republic of Kazakhstan, the Forecast Scheme of the country's territorial and spatial development, state and sectoral programs. Approved by the order of the Minister of National Economy of the Republic of Kazakhstan dated April 28, 2015 No. 365). Speaking about the prospects for the development of regions in an unstable economy, we relied on the results of the implementation of government programs aimed at developing the country's economy in the context of coronavirus infection and the restrictions caused by them. Taking into account the current situation, the Government, on behalf of the Head of State, took urgent measures to support the population and stabilize the economy. The achievements of the Kazakh economy are presented in the report of the Government of the Republic of Kazakhstan on the results of socio-economic development for 2020, which defines not only the results of activities, but also the guidelines for the development of the Kazakh economy for the future (Speech by the Prime Minister of the Republic of Kazakhstan A. Mamin at an expanded meeting of the Government with the participation of President K. Tokayev. January 26, 2021).

Thus, along with measures of social support to mitigate the negative consequences of the pandemic, create and preserve jobs, on behalf of the Head of State, an anti-crisis program was launched. for 2020-2021 (On approval of the Employment Roadmap for 2020 - 2021, Order of the Prime Minister of the Republic of Kazakhstan dated March 27, 2020 No. 55). For its implementation, financial resources were planned in the amount of 1 trillion. tenge.

The employment roadmap has provided many Kazakhstanis with work and income, and has also made a significant socio-economic effect. It laid the groundwork for the post-crisis period through the renewal of infrastructure, which in turn gives impetus to the development of the main sectors of the economy, such as construction, production of materials and the provision of services, where, among other things, existing jobs will be preserved.

3 RESEARCH RESULTS

There is a significant increase in unemployment in almost all countries (8.4%, OECD), a decline in world trade (by 20%, UN) ("COVID-19: a challenge for economic growth" 10/14/2020.). International financial institutions: IMF, WB, ADB, EBRD predict a 5% slowdown in the global economy in 2020 (consensus forecast), followed by recovery in 2021

from 2.8% (OECD) to 5.2% (IMF). The deepest drop in 2020 among the main partners of Kazakhstan occurred in the Eurozone and the United States, by 10.2% and 8%, respectively. Also, a significant decrease in the rate of development of the Russian economy by 6.6% in 2020 can be noted. At the same time, international analysts predict sluggish GDP growth in China at 5-6% in the medium term. The economic vector in the country is shifting from the external to the domestic market and decarbonization is increasing, which changes the volume and structure of the economy. Thus, China's economic policy will be redirected from ensuring high growth to high-quality and sustainable economic development.

The risks of a global financial and debt crisis are growing. There is a flow of capital from developing countries to developed countries amid the search for the least risky investment instruments. This will strengthen the trend of strengthening the currencies of developed countries and weakening currencies of developing countries. In some countries of the world, another wave of outbreaks of coronavirus infection has begun. France, Great Britain, Italy have introduced tough restrictive measures. The lack of an effective vaccine against COVID-19 imposes fears on the speed of the global economic recovery.

So, according to the estimates of the International Labor Organization in the 1st quarter of 2020, the global losses of the working time fund amounted to 5.4% or 185 million jobs, in the 2nd quarter of 2020 - 14% or 480 million jobs with a 40-hour work week (ILO Newsletter: COVID-19 and the world of work. Seventh Edition Updated Assessments and Analysis. January 25, 2021).

In general, due to the impact of the pandemic, the unemployment rate in the country increased from 4.8% in the first quarter of this year to 5% in the second quarter. The number of unemployed increased by 2.6% to 454 thousand people. There is a decrease in the number of employed people in almost all regions of the country.

Due to the ongoing pandemic, there is still a high level of uncertainty about the future development of the global economy. Supply chain disruptions and continued restrictions due to existing quarantine measures, a decline in global demand, and increased protectionist rhetoric are putting pressure on the global economic recovery. Against this background, international financial organizations are revising the parameters of the forecast values.

In addition, it should be noted that since 2000, in all countries of the world, there has been a decrease in GDP growth rates. In low-income countries in the second decade of the 21st century, the average annual

growth rate decreased by 1.4 percentage points, compared with the first decade (from 5.4% in 2000-2009 to 4.0% in 2010-2019). A similar picture is observed in middle-income countries (from 5.8% in 2000-2009 to 5.0% in 2010-2019). In high-income countries, growth rates in 2010-2019 rose by 0.1 pp (from 1.9% in 2000-2009 to 2.0% in 2010-2019) (The economic boom in developing countries was an anomaly. October 14, 2016).

The economy of Kazakhstan is open and highly integrated into the world economy. In this regard, high uncertainty affects the national economy through trade, foreign exchange and investment channels. The restrictive and quarantine measures taken also negatively affected the economy of Kazakhstan. The service sector suffered the most, where small and medium-sized businesses are mainly engaged. Affected industries find appropriate measures by providing tax incentives, subsidizing loan rates, as well as concessional lending to small and medium-sized businesses under the National Bank's program. These measures helped to avoid a deep recession in the economy of Kazakhstan.

At the end of January-September 2020, the decrease in GDP was 2.8% due to a decrease in the volume of services by 6.1%. At the same time, the production of goods increased by 2.2%, including construction - by 10.5%, agriculture - by 5.0%, manufacturing industry - by 3.3%. Some sub-sectors of the manufacturing industry showed double-digit growth: the automotive industry - by 51.6%, pharmaceuticals - by 39.8%, finished metal products - by 18.9%, paper products - by 15.1% and light industry - by 14.1%.

At the end of 2019, according to the World Bank classification, Kazakhstan is in the group of developing countries with above-average income per capita (Overview for Kazakhstan). Thus, Kazakhstan is very close to the upper border of countries with middle income. However, the existing structure of the economy creates risks for Kazakhstan to fall into the "middle income trap". Questions of a relatively low level of labor productivity, diversification of the economy, investment, the predominance of raw materials exports, as well as problems in monetary and fiscal policies are relevant.

Over the past 30 years, Poland and South Korea have been able to overcome this trap through such successful factors as the adaptation of new technologies through R&D, investment in human capital, institutional reforms, and productivity growth through international integration.

To implement the set task of the Leader of the Nation - Elbasy, the Ministry of National Economy,

together with the Institute for Economic Research, developed practical recommendations for ensuring GDP growth at the level of 7.5% (The tasks of the National Project on Economic Growth were named in the Ministry of National Economy of the Republic of Kazakhstan). Within the framework of the work, the key problems of the development of the real sector and entrepreneurship, fiscal and monetary, investment, social, foreign trade and regional policies have been analyzed.

To restore stable and high-quality economic growth and overcome the noted problems, further active work is needed to attract investment, create a strong entrepreneurial class, increase the self-sufficiency of the economy and promote exports, industrial and service development, increase the social welfare of the population and macroeconomic stability.

4 DISCUSSIONS OF THE RESULTS

Increased global competition for capital amid trade and sanctions rivalries is redefining established supply chains. In order to attract quality investment, it is necessary to focus from a passive, investor-friendly approach to working directly with each capital holder at all stages of the value chain. Systemic support measures are needed for each investor based on priority and potential effect on the economy as a whole. In order to stimulate the inflow of investments, the stability of legislative conditions and conditions of state programs, including concessional financing, partial guarantees of loans, and export support mechanisms, must be ensured.

For large projects, it is necessary to ensure the extension of preferences in free economic zones, guaranteed procurement from the state, quasi-public sectors and subsoil users, reimbursement of part of capital costs from taxes by offsetting tax liabilities arising after the end of the preferential tax period.

Ensuring the implementation of the principles of fairness and equality in interaction with investors, protection against expropriation, guaranteeing the most favored nation treatment will expand the circle of potential investors and improve the conditions for financing the Kazakh economy.

To improve the investment climate, measures should be taken to develop the level and accessibility of basic infrastructure facilities. This will be possible due to the reimbursement of investors' costs for the

development and / or construction of engineering and communication infrastructure (roads, sewerage, heat and water supply, gas supply, telephone and electrical networks). The developed infrastructure will diversify the investment portfolio for public-private partnership projects and improve the quality of projects. Investors implementing PPP projects will be offered "package solutions" with an individual approach.

Measures should be developed to target the attraction of strategic investors and the formation of new ecosystems in the sectors of the economy. Moreover, strategic investors implementing investment projects that are significant for the economy should be given the opportunity to conclude an investment agreement, which provides for special conditions and procedure for granting benefits and preferences, which will be regulated, including by the law of the AIFC (jurisdiction of disputes to the court and arbitration of the AIFC).

Taking into account the world experience, it is proposed to apply the offset policy (international tenders, off-take contracts) used in many advanced countries of the world and, in addition, to develop and determine the minimum list of services provided to investors in regional front offices.

As a result, in the medium term, the level of investment in fixed assets will increase from 18.1% in 2019 to 30% of GDP by 2025. Annual gross foreign direct investment will increase from \$ 24.1 billion in 2019 to \$ 30 billion by 2025 (Investments as a key driver of the growth of the Kazakh economy: new enterprises, advanced technologies and job creation).

Entrepreneurship is the basis for sustainable, dynamic economic development, as well as a key source of income and employment for the population. Therefore, it is necessary to launch a new cycle of business activity, to take systemic and effective measures to stimulate the development of entrepreneurial activity.

It is required to change the focus from making a profit to developing competition, creating conditions for private business to enter new sectors of the economy, including those in which the state dominates at the moment. Work should continue to unlock the potential of private capital. To do this, it is necessary to exclude the excessive presence of the state in the economy and the interference of state bodies in entrepreneurial activity, to increase the efficiency of state regulation of Regulatory Quality, entrepreneurial literacy and digitalization of services for business.

Since January 1 of this year, a three-year moratorium has been in effect on inspections, preventive control and supervision with visits to small and micro-business entities (Moratorium on inspections and tax exemptions - how business will develop in Kazakhstan in the next 3 years. February 07, 2020). As a result of the moratorium at the end of the first half of 2020, the number of inspections in relation to small and microenterprises decreased by 7.5 times (from 34.9 thousand to 4.6 thousand). There is a 3.5-fold decrease (from 46 thousand to 13 thousand) in the number of inspections in relation to all entrepreneurs, a 1.5-fold decrease in the number of preventive measures carried out by state bodies with a visit to the subject (from 20 thousand to 14 thousand).

To improve the business climate and introduce regulation from scratch, a regulatory and legal framework for small and medium-sized businesses should be developed. For this, it is proposed to conduct a radical review of the entire array of state regulation by changing the basic approaches in regulatory policy and creating a new comprehensive and effective regulation in order to prevent the adoption of regulatory instruments that do not meet the principles of protecting the health of citizens and the environment. This will require the adoption of a number of measures:

- firstly, revision of business requirements, reporting, permits;
- secondly, the cancellation in 2025 of the non-automated information obligations of the business, in the absence of their automation and integration with the information system for registration of inspections;
- third, the transfer of state control of 8 areas to preventive control (SES; tax sector; nuclear energy; fire safety; circulation of poisons, weapons, military equipment and certain types of weapons; industrial safety; medical services; circulation of medicines);
- fourth, the maximum rejection of certifications, accreditations, permits in areas where licensing has been introduced;
- fifth, improvement of procedures and mechanisms for the analysis of regulatory impact.

An important aspect of the development of small and medium-sized businesses is the simplification of taxation. To optimize the number of taxes, a proposal is being considered to combine property tax and land tax, abolish the land tax for apartment buildings (2.7 million taxpayers), and introduce a single payment with the payroll (pension contributions, combined

social payments). Another proposal that needs to be addressed is the introduction of a retail tax on a voluntary basis. It is considered advisable to establish a flat rate in the range of 6-8% with exemption from VAT. This will reduce the tax burden, simplify the payment of taxes and payments, and increase the share of SMEs to GDP from 31.7% in 2019 to 35% in 2025. At the same time, the number of employed people will reach 4 million.

The implementation of new approaches to create a strong entrepreneurial class and further improvement of the business environment will allow Kazakhstan to enter the top 20 countries with the most favorable conditions for doing business in the world.

Within the framework of the Roadmap, it is planned to create more than 240 thousand jobs. According to the Ministry of Labor and Social Protection of the Population of the Republic of Kazakhstan, during this period, the program provided jobs for more than 180 thousand people with an average salary of 130 thousand tenge, taking into account the family members of the program participants, about 700 thousand people were provided with income.

Orders were received by 19 thousand small and medium-sized businesses in the amount of 370 billion tenge.

Thanks to the employment roadmap, 683 new social, communal and transport infrastructure facilities have been built. Of course, thanks to this Program, the population was able to find work and improve their financial situation. In the current environment, we see that this anti-crisis Roadmap was timely.

5 CONCLUSIONS

Given the relevance of the development of the country's regions, it is necessary to continue the implementation of the State Program aimed at developing the regional economy in the post-crisis and post-pandemic period. The implementation of the State Program for the Development of the Regions of the Republic of Kazakhstan until 2020 became the initial stage of the reboot of the country's regional policy, and made it possible to develop comprehensive measures to solve the problems of regional development (On the approval of the State Program for the Development of Regions until 2020. Resolution of the Government of the Republic of Kazakhstan dated November 16, 2018 No. 767). In this regard, the continuation of the implementation of the main directions of regional policy is enshrined in

the State Program for the Development of Regions for 2020 - 2025 approved by the Government Decree of December 29, 2019 No. 990 (Resolution of the Government of the Republic of Kazakhstan dated December 27, 2019 No. 990 "On approval of the State Program for the Development of Regions for 2020 - 2025").

The goal and objectives of the new program are consonant with the main directions of the long-term strategy of the country's economic development and are a logical continuation of the previous program. It is important to pay special attention to single-industry towns through city-forming enterprises.

Since there are forecasts for the next "wave" of COVID-19, and given that if it repeats and restrictive measures are adopted, 2.2 million people may need support, it is now necessary to take a package of operational and systemic measures to promote employment and job creation.

All this will allow taking measures to:

- supporting enterprises in the sectors most affected by the impact of the pandemic and preventing large-scale redundancies in workers;
- to provide the necessary social support and prevent a decrease in the income of the population;
- preservation and creation of jobs through infrastructure projects.

It is advisable to consider the issue of continuing the implementation of the Employment Roadmap program in 2021 and possibly in 2022, with the inclusion of projects that solve the most acute infrastructure needs of the regions, taking into account the views of the local community, as well as to ensure its appropriate funding.

One of the tasks that need to be addressed is increasing the self-sufficiency of the economy and promoting exports. The existing raw material base and geographical location allow Kazakhstan to create complex ecosystems for the production of food products: meat, sugar, dairy products, vegetables, fruits, grain and oilseeds. As a result, by 2027, compared to 2019, the export of agricultural products will double. 350 thousand new jobs will be created in the agro-industrial complex, more than 1 million rural residents will receive a stable income.

In the face of modern challenges, it becomes critically important to increase the self-sufficiency of the economy, primarily to cover the needs of the domestic market in food and non-food products, electricity and fuels and lubricants, while promoting the export of domestic finished products. For this, it is necessary to take measures to strengthen the

relationship with external markets and maintain the country's status as a responsible participant in the world economic community.

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