

Priorities of Kazakhstan's Post Crisis Development

By **Aizhan Kalabayeva**, Senior Researcher, the Kazakhstan Institute for Strategic Studies under the President of RK

The current global economic crisis is much deeper than all preceding ones. In Kazakhstan it had a strong impact on the economy, both in terms of its growth rate and the structure. In particular, the share of the services sector in the GDP increased at the expense of the declining share of production. The extent of changes in the GDP structure in the post-crisis period will largely depend on what sectors of economy will suffer and to what extent. Reduction of the share of industrial production and construction in the GDP will lead to a stronger role of the services sector, which has less suffered from the crisis (telecom, trade, etc.) In these circumstances Kazakhstan faces the challenge of implementation of high-tech modernisation in all sectors of the economy and transition to the innovation driven economic growth.

"The New Plan for Further Modernisation of the Economy and Realisation of the Strategy for Employment to Ensure the Post-Crisis Development of the Country" has been put forward by the head of the state N. Nazarbayev in his annual Address to the People of Kazakhstan in March 2009. Financing sources to fund the realisation of the new plan of the economy modernisation has been clearly defined. Firstly, under the proposal of the President, in 2009-2010 the sources will income from the raw materials sector, which traditionally went to the National Fund; secondly, the Government has optimised the expenses of the Republican Budget.

In order to ensure the country's sustainable economic development, it is necessary for Kazakhstan to implement the program on regional employment and retraining, for which the Government allocates at least 140 billion tenge; 350 thousand new workplaces will be created in the framework of this program.

The new plan for further economic modernisation also provides for financing and implantation of the currently active investment projects, among which are the modernisation of existing oil refineries, development of electrical energy sector, construction of a main gas pipeline Beineu – Bozoi – Akbulak, reconstruction of the road transit corridor "Western Europe – Western China", organisation of production of electric locomotives, passenger and freight cars, and the chemical industry development. Of special significance are the issues of technological

upgrade of production capacities and modernisation of the agricultural sector.

The complex of anti-crisis measures, which has been timely approved by the Government, provided for a safety bumper to the economy in case of possible shocks. Large-scale capital investments made it possible to maintain the stability of Kazakhstan's financial sector, to lower the risks of external loans, to support economic activities of small and medium sized businesses and large enterprises, to activate construction and the real estate market, to stimulate the agro-industrial complex, to lay foundation for infrastructure development, to start implementation of the employment strategy.

As a result of these anti-crisis measures, Kazakhstan was able to increase the area under cultivation by 1 million hectares over the 2008 level. 184 facilities were built with participation of 25.6 thousand shareholders; and construction of 225 more objects is carried out now. Sharp increase of unemployment has been avoided: unemployment grew by 0.3 percent and made 7.2 percent. Incomes of population went up 4 percent. For the first five months of 2009 the rate of inflation made 2.8 percent; the volume of loans to the economy increased by 8.5 percent. The state successfully fulfils all of its social obligations. An important indicator is the stability Kazakhstan's international reserves that make 43 billion US dollars. Thus, it can be safely assumed that in the next six to eight months the national economy will be able reverse all negative trends and to begin its recovery.

All of the above means that crisis can and should be used for modernisation and industrial diversification of an economy. Foreign experience shows that countries aiming at accelerated industrialisation on the basis of modern innovative technologies considerably increase their potential for further economic growth.

Of special urgency is the concept of planning the industrial-innovative development of the national economy on the basis of optimisation of industrial and infrastructural capacities, which will allow for higher efficiency of the State's investment policy; to match objectives with available resources; to develop principles of infrastructure development and forecasting of indicators of social and economic progress of the country.

The President of Kazakhstan, in his speech at the XII congress of People's Democratic Party Nur Otan ordered to start in January 2010 the realisation of the five year plan of the forced industrial-innovative development of Kazakhstan. The President particularly emphasised the need to strengthen the role of the state in planning and economic stimulation, at the same time preserving the principles of free market: fair competition, inviolability of private property and encouragement of business initiatives.

As key drivers of the national economy's growth the President emphasised seven economic sectors as follows: the agro-industrial complex and agricultural processing; construction and manufacturing of building materials; oil refining and infrastructure development for the oil and gas sector; metallurgy and manufacturing of finished metal products; chemical, pharmaceutical and defence industry; energy; transport and telecommunication infrastructures.

For successful and effective functioning of Kazakhstan's economy in the post-crisis period it is necessary to create conditions for overcoming long-existing problems, in particular – to optimise the industrial structure, to carry out technological and technical reconstruction, to stimulate competitive domestic manufacturing and consumption of domestic products.

To summarise the first results of the anti-crisis program realisation in Kazakhstan, the government manage to achieve good results in all four priority directions: in implementing anti-crisis measures; in expansion of Kazakhstan's share in foreign companies working in the country; in realisation of the "road map" program and in economic diversification. As of today, the information base of the Industrialisation Map project contains the data on the resource and infrastructural security for more than 150 investment projects with the total value of over * billions tenge.

To summarise Kazakhstan's economic progress, the country continues to develop in accordance to the "Strategy till 2030". However, in order to achieve sustainability of economic growth, it is necessary to create a State with high net worth and social security, high technologies and modernised capacities. This will enable Kazakhstan to become highly competitive on the global market.