

# Regional aspects of socio-economic modernization of the Republic of Kazakhstan

<sup>1</sup> *Mukhtarova Karlygash, Ashirbekova Laura, Tazhiyeva Samal*

Al-Farabi Kazakh National University

---

**Abstract:** The article examines the socio-economic modernization of Kazakhstan in the post-crisis period the value of which has significantly increased with the transition of the country from raw material export economy to an innovative way of development. The authors point out that the current regional policy of Kazakhstan should be directed at the concentration of economic activity in the regional centers that implement economic and social modernization, and therefore all the long-term development strategies and plans aimed at modernizing the country should be based on the existing potential of regions of the country.

**Key words:** Modernization, national economy, region, socio-economic potential, regional policy, innovation policy

---

## INTRODUCTION

A new development stage of Kazakhstan way is built on new objectives that are set to strengthen the economy and improve people's welfare in the country. It is vitally important for Kazakhstan to find the right balance between economic success and provision of public goods to society. In today's world this issue has become a fundamental question of socio-economic modernization of any country and it is the main vector of Kazakhstan's development in the next decade [1].

Since the beginning of the XXI century, scientists around the world have begun discussing the topics of innovation, industrialization and modernization. The concept of "modernization" is applied in the analysis of changes that cover various levels of society and has different effects on a scale ranging from updates and improvements in one area of life support to a comprehensive restructuring of the entire socio-cultural system.

## MAIN PART

Nowadays, the term "modernization" has become the most used term in discussions devoted to the post-crisis development of the economy. Attention to the theories of

modernization has significantly increased since the country decided to transfer from raw material export economy to an innovative way of development.

As part of the modernization process, the following changes have taken place:

1) the transformation of the entire system of economic relations and changes in people lifestyles;

2) the emergence of new procedures and mechanisms governing economic relations;

3) the emergence and use of advanced technology that enable achieving a high level of employee qualification;

4) an increase of creativity in human activities, which allows to transform information resources into innovations.

Hence we can identify a number of characteristics of the process of modernization:

- Complexity, since this process covers all areas of economic activity;

- Consistency, since any change in its scope or industry results in a change of other elements in the economy;

- Multi-variancy, which is differentiated and not a fungible and straightforward nature of modernization;

**Corresponding Authors: Mukhtarova Karlygash, al-Farabi Kazakh National University**

**[kmukhtarova@inbox.ru](mailto:kmukhtarova@inbox.ru), Mob.: +77017897887**

**Ashirbekova Laura, al-Farabi Kazakh National University**

**[turar200480@mail.ru](mailto:turar200480@mail.ru), Mob.: +77782178031**

**Tazhiyeva Samal, al-Farabi Kazakh National University**

**[samal\\_tj@mail.ru](mailto:samal_tj@mail.ru), Mob.: +77023380068**

- Temporal nature of modernization is associated with its long and not a momentary action, covering several stages;

- Global nature of modernization, i.e. started in the developed Western countries, it gradually spreads to the developing regions of the world.

One of the characteristics of modernization is the descriptions of the efforts of a particular society, country or region with the aim to catch up with more developed countries. Filled with this kind of concept, the modernization was formed in line with the evolutionist approach that examines social and cultural dynamics of the country. In addition to studying the theoretical and cultural dimensions of modernization, the need to study such significant historical phenomena from the point of view of object-empirical approach is important as well.

Socio-economic modernization is a system of interrelated areas covering industrial policy, the development of scientific, technological and innovative potential and improvement efforts of social infrastructure.

The objectives of socio - economic modernization are: updating and improving the economy through introduction of the latest scientific and technical achievements and advanced technologies; implementation of progressive structural changes and institutional reforms aimed at improving the economy and ensuring its competitiveness in the interregional and international division of labor.

Socio-economic modernization in the region is modernization of the entire production process carried out in the regions and modernization of the entire system of economic relations in the process of production, distribution, exchange and consumption. It should be aimed at achieving the least production issue costs and efficient use of local industrial, scientific, technical, labor, natural potential and high competitiveness of the region's economy in terms of external markets.

The socio-economic modernization of the region is divided into three types: innovative socio-economic modernization, institutional and structural.

Innovative socio-economic modernization involves participation of enterprises and organizations in innovation activities and implementation of the latest scientific and

technical achievements and high-tech activities in production process.

Institutional modernization is designed to provide social and economic modernization in the region on the basis of accelerated development of small and medium-sized businesses and creation of a competitive environment etc.

Structural modernization is aimed at ensuring the structural adjustment of regional economies based on scientific, technical and technological innovations in manufacturing potential. It is also aimed at improving the efficiency of regional systems through ensuring their high competitiveness in the global economy in order to achieve sustainable socio-economic development of the region and improve the quality of life [2].

To date, national experts developed a number of concepts and strategies to modernize the economy of Kazakhstan. These are: The Strategy of Industrial and Innovative Development of Kazakhstan for 2003-2015, The State Program on Forced Industrial-Innovative Development for 2010-2014, The State Program for Rural Development of the Republic of Kazakhstan for 2004-2010, The Program of Regional Development of the Republic of Kazakhstan until 2015, The Strategic plan of the Republic of Kazakhstan till 2020, The "Strategy "Kazakhstan- 2050" - a new policy of an established state", The program of mono-towns' development for 2012-2020 etc.

Inclusion of most country activities into global economic processes has now become a prerequisite for national development of every country that is tending to the increase the efficiency and competitiveness of its economy. If one imagines the national economy as a system, and the region - as an element of the system, the practice proved that the economy is competitive if its regions are stable and developed. The present stage of economic development of the Republic of Kazakhstan is characterized by an increased interest of policy makers to the vast complex regional problems. The strength of Kazakhstan is based primarily on a power regions.

The regional policy today is aimed at a concentration of economic activity in the development of regional centers that could

become the "locomotive" of economic and social modernization and can ensure the rational territorial organization of the economic potential of the country and population distribution.

Modernization should allow improving the relationship between the central, regional and local governments on the basis of increased decentralization of administrative functions.

A cardinal increase of manageability processes of socio-economic development at the level of individual regions has become the most important task for the country. Despite the fact that Kazakhstan is a unitary state, the system of market relations objectively requires decentralization of functions that are directly related to the scope of livelihood and development of the local economy, taking into account the features of the natural and socio-economic potential of each region.

The analysis showed that the implementation of modernization without a thorough account of socio-economic characteristics of the regions of the country could lead to an uneven distribution of "modernization effects", and this in turn can lead to imbalances in regional development. All long-term development strategies and plans aimed at modernizing the country should be based on the existing potential of regions.

Therefore it is necessary to evaluate the potential and limitations of the established industrial and innovative modernization of Kazakhstan and its regions. The economic growth achieved by the country in recent years has created favorable conditions for the implementation of progressive structural shifts in the economy. This is evidenced by the dynamics of key macroeconomic indicators (Table 1).

Table 1: Dynamics of main macroeconomic indicators of Kazakhstan for 2001-2012.

	2001	2005	2008	2012	2012 % in relation to 2001
GDP per capita, USD	1 229,0	3 771,3	8 513,5	13100,0	10,65 times increase
Unemployment level, %	12,8	8,1	6,6	5,4	7,4 % increase
Gross inflow of direct foreign investments, mlns of USD	2 781	6 619	19 760	19 017	6,8 times increase
Investments in fixed capital, mlns of tenge	595664	2 420 976	4 210 878		7,8 times increase
Foreign trade turnover, mln USD	13852,2	45 201,5	109 072,5	126 212,7	9,1 times increase
The poverty rate in %, determined the rate of 1 U.S. dollar a day (PPP) / Depth of poverty	10,3	7,5	2,3	1,1	9,36 times decrease
Number of broadband subscribers per 100 people, number of people.	-	35,6	102,6	118,9	3,34 times increase
Number of Internet users per 100 people, number of people.	-	4	15,1	31,6	7,95 times increase

Development of market institutions, the financial sector, the spread of modern means of communication and telecommunications, the arrival of foreign capital led to the emergence of the economy segment that has become a feature of developed countries. Kazakhstan is among the world leaders in terms of GDP growth, which in 2012 amounted 7.5%, and in

2012 - 6.0%, the investments in the economy are also increasing (4653, 5 trillions of tenge in 2012). The unemployment rate has been significantly reduced to 5.4% and new jobs and employment opportunities have been created for Kazakhstan people [3].

In 2012 according to the World Economic Forum, our economy became stronger. For the

first time in the last 5 years Kazakhstan is on the 51<sup>st</sup> place on the global competitiveness index among 144 countries. This means that the level of competitiveness of Kazakhstan has increased by 21 points in one year.

In 2013, Kazakhstan raised its rating on one position and took the 50th place in the global competitiveness index among 144 countries. The advantages of the country are flexible and

efficient labor market (15) and a stable macroeconomic environment (23), while many countries are not effective in these areas. Major challenges for Kazakhstan are healthcare and primary education (97), the competitiveness of companies (94) and the innovation potential (84) [4].

Table 2: Dynamics of key indicators of region development in the Republic of Kazakhstan for 2008-2012.

	Growth in 2012 compared to 2008, in %			
	GRP	GRP per capita	Investments in fixed capital	Key assets
<b>The Republic of Kazakhstan and regions</b>	<b>212,7</b>	<b>200,1</b>	<b>147,7</b>	<b>210,8</b>
Akmolinskaya	199,7	203,5	119,1	248,3
Akt'yubinskaya	211,1	194,8	171,5	208,1
Almatinskaya	233,6	195,3	261,4	222,9
Atyrauskaya	270,2	252,3	140,9	171,9
West Kazakhstan	203,5	215,5	91,5	192,6
Zhambyl'skaya	231,5	229,3	356,1	219,0
Karagandinskaya	208,1	207,4	166,6	176,0
Kostanayskaya	207,4	206,6	156,3	233,1
Kyzylordinskaya	213,6	184,1	215,7	246,3
Mangistauskaya	235,6	172,4	147,0	259,5
South Kazakhstan	233,9	219,2	214,7	264,3
Pavlodarskaya	233,1	257,6	159,8	202,7
North Kazakhstan	209,9	233,7	185,0	197,0
East Kazakhstan	194,1	206,6	190,9	214,9
Astana city	202,6	150,7	134,8	225,0
Almaty city	181,8	166,8	84,3	225,8

The following statistics indicates that the gross regional product (GRP) and gross regional product per capita production for 5 years in all regions of Kazakhstan have increased on average by half, and this is despite the fact that pre-crisis 2008 has been taken as a basis for comparison and analysis. Such a stable positive dynamics indicates a significant increase in opportunities for economic modernization of the country.

However, it is noteworthy to say that there are resource, infrastructure and institutional constraints in the socio-economic development of our country. Therefore, the evaluation of country potential and capacity is a key issue in determining the priorities of industrial innovation and competitiveness increase of Kazakhstan and its regions [3].

The rational distribution of productive forces and improving sectoral and territorial structure of industries are needed for socio-economic modernization of regions of the country. Moreover, this policy should be directed at overcoming the raw-material orientation of the industry and ensuring the production of competitive industrial products based on the efficient use of natural and climatic potential.

The most important control parameters of socio-economic modernization of regions are:

- Focus on the regions' industries modern high technologies;
- In order to overcome the raw production processing orientation of the industry, an active involvement of natural and agricultural raw materials in industrial processing is needed;
- Improvement of the industrial structure of regions through elimination of inter-and intra

country imbalances associated with resource oriented industrial production;

- Strengthening the position of industry regions in domestic and export markets by increasing production of industrial products;

- The creation of high-tech and science-intensive industries that can produce high quality, competitive products;

- Active attraction of foreign investment, the development of joint ventures for the production of competitive products.

Currently Kazakhstan's regional policy is aimed at increasing the competitiveness of the regions, the development of centers of economic growth, ensuring employment and quality of life of citizens. The government of the Republic of Kazakhstan has developed and implemented the program of "Regional Development", in which it deals with contemporary socio-economic problems of regions [5].

Systemic problems and constraints of socio-economic development of regions were firstly identified and mechanisms of their elimination performed by akimats (local executive bodies) were provided in the program. This is all done because one of the key tasks of local executive bodies, affecting the business and investment climate in the region is the development and maintenance of the socio-economic infrastructure.

Subsequently, within the framework of the program and dynamic development of regions of Kazakhstan - the main emphasis is put on the development of small towns and solving the problems of centers of economic growth. Currently, Kazakhstan has achieved some sustainable economic growth.

Priorities of economic policy in the medium term have been identified:

- 1) effective integration into the global economy on the basis of a qualitative breakthrough activities in the economic development of the country;

- 2) further modernization and diversification of the economy of Kazakhstan as a foundation for sustainable economic growth;

- 3) create and improve the social policy aimed at protecting the most vulnerable population and promote productive development of the economy;

- 4) development of a modern system of science and education, and spiritual potential of the people, the prosperity of culture;

- 5) the transition to modern principles and standards in healthcare organizations;

- 6) territorial development that meets the needs of a balanced economic development.

In these circumstances, the purpose of government intervention in the development of the regions has become a spatial organization of economic activity in which people from all regions will have an equal opportunity to achieve the desired well-being and quality of life.

The regional policy should be aimed at achieving the following national goals: maximum level of employment, improving quality of life, equitable distribution of income, stable economic growth. To this end, the main focus is on the "territorial reorganization" of the country and this is done in order to achieve a balance in the distribution of population and economy. As a consequence - the action taken by the majority of state programs are specifically aimed at the development of regions.

Formation of a competitive regional specialization and creation of conditions for the concentration of production and labor in economically promising areas and becoming the "growth poles", the development of infrastructure of the territories with becoming a "cluster" should take place in the regions of the country. This kind of balanced development of regions with "growth poles" may become the fastest-growing city or areas that are integrated into regional and global markets.

Astana and Almaty cities play a special role in regional development programs because they are the centers of trade, financial, technological and cultural exchanges in the Eurasian system. The development of these cities is focused on the development of their business centers that operate for the Central Asian region.

One can select a whole group of three factors that determine the characteristics of the economic reforms by region:

- sectoral specialization of regions associated with the characteristics of their natural resource potential;

- implementation of specific regions of republican functions (primarily defense, foreign

trade etc ), which cause an imbalance in economic structure and not adapted to the market;

- geographical location of a region that makes a significant difference in transport costs and the costs of reproduction of labor power.

Regional policy consists of several aspects (directions, levels), which include: the actual political relations with the regions; intergovernmental relations; general socio-economic and sectoral economic activities directly related to the interests of the regions etc. All taken together is the regional policy in the broad sense; its borders are difficult to determine, since virtually all states acting in a country with a clear territorial organization may acquire such an aspect [6].

Some reduction occurs between regions differences in the levels of socio-economic development through the implementation of priority investment projects contributing to the strengthening of their infrastructure, achieving a guaranteed volume of social security of the population coupled with a policy of targeted support for problem areas.

It should be noted that at present, a new territorial organization of Kazakhstan is formed. This manifests itself primarily in the faster growth of large cities like Almaty and Astana, and raw production centers of economic growth in the west: Atyrau and Mangistau regions. Four regions of the country (the cities of republican status - Almaty, Astana cities and Atyrau and Karaganda regions) of the sixteen account for nearly half (50% ) of the gross domestic product. Investment activities and other resources are located in these regions. Despite the processes occurring in the territorial organization of the country, the regional policy has remained the feature of old approaches, in particular with regard to funding of the regions.

## CONCLUSIONS

The agglomeration of two levels will be determined. The first level agglomeration: Astana, Almaty, Shymkent cities as having the greatest development potential. The second level agglomeration are Aktobe and Aktau cities. In general, the main objective of development of agglomerations in the country is encouraged to identify their formation as a long-

term growth centers that are integrated with global and regional programs.

Implementing measures for socio - economic development of the regions should be carried out in the following areas:

1. Provision of region's economy diversification by engaging in turnover of existing reserves (including financial) and unused household assets (including standing and idle productions derived from trafficking and diversion of unused farmland and others);

2. Conducting a systematic work to attract governmental and foreign investors to address long-term socio-economic development of the regions;

3. Creating favorable conditions for innovations;

4. Fostering the development of small businesses in all sectors of the economy of the region;

5. Maintaining an effective economic control of regional governors and the business activities of large backbone enterprises in the regions and the cities of Astana and Almaty;

6. Implementing energy, resource-saving technologies in all sectors of the economy of the region and the use of alternative energy sources;

7. Creating food belts around cities of the country.

Competitiveness of the region is understood as a set of geographic and socio-economic characteristics that create the conditions for the formation of economic structures and settlement patterns on its territory. The main factors affecting the competitiveness of the region are: the availability of natural resources, skilled labor, infrastructure, level of institutional development, and others. In the context of industrial-innovative development of the republic the forefront issues of capacity-building in areas of research and technological development, financial support for enterprises and introducing innovations arise. Thus, it becomes clear that there is no alternative for innovative development of Kazakhstan. Innovative economy should not only be an independent sector of Kazakhstan's economy, but also improve the condition of the competitiveness of other industries [7].

The state regional policy of Kazakhstan should encourage the transition of the country to an innovative model of development and give a

new geo-economic and cultural meaning of regional projects and initiatives. Its main task is to provide a concentration of resources on priority areas and create conditions for inter-regional cooperation and strategic partnerships between government, business and public institutions within the framework of an innovative development model. It is necessary to form a new innovative management technologies in development areas that are directed at improving the competitiveness of Kazakhstan regions and the country as a whole.

### **REFERNCES**

1. A message of the President of the Republic of Kazakhstan N. A. Nazarbayev to the nation «The socio-economic modernization – the main vector of Kazakhstan development» / / Astana, 2012.

2. Bayramova Zh.M. – Regional aspects of national economy development/ / Notifications of V. G. Belinskogo. 2011. № 24. Pp.181-187.

3. Nurlanova N.K. The priorities of industrial innovative development and opportunities for implementation in the economy of Kazakhstan and its regions / / [http:// www.group-global.org/publication/view/7026](http://www.group-global.org/publication/view/7026)

4. The Global Competitiveness Index 2013–2014. <http://gtmarket.ru/news/2013/09/05/6219>.

5. The program of Monotowns development for 2012-2020. 25<sup>th</sup> of May 2012

6. Regional economy - M.: REU after G.V Plekhanov, 2010. - P. 21.

7. Strategies of territorial development of the Republic of Kazakhstan until 2015. - <https://www.law.delovoimir.kz/laws/view/2900/1>.