



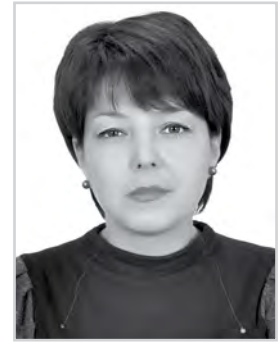
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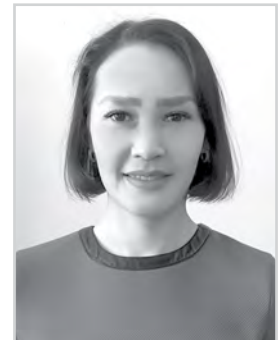
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Public-private partnership development in Kazakhstan: a case study based on international benchmarking

Abstract. The article deals with the development of public-private partnership in Kazakhstan on the basis of specialised institutional organisations, such as corporate social enterprises. The authors consider world experience of creating and functioning of regional development institutions, on the basis of which three main models of their organisation were determined. It has been established that Kazakhstan's model of corporate social enterprises has not become a full-fledged institution of regional development because of the inconsistent policy of the government. Based on the analysis of the main indicators of 16 corporate social enterprises throughout Kazakhstan, it has been found that most of them are still at the investment stage of their development and do not provide direct support to the entrepreneurship in their regions.

Using the latest data and materials available regarding the corporation Saryarka of Karaganda region, Astana and Akmla region, the main directions of investment activities of the institute of regional development were identified, which showed the implementation of predominantly operator functions to redistribute public investment resources. In such a way, 53 subsidiaries, affiliates and associated enterprises of CSE Saryarka cover a variety of areas of economic activity, from the housing and utilities sector to the agro-industrial complex, metallurgy and metalworking. However, CSE Saryarka gradually reduces its participation in the investment of its subsidiaries: if there were 5 units in 2012, then in the 2015-2016 there were 3 units left, namely, Industrial Park Metallurgy-Metalworking, LLP Arka, and LLP SZTS Abaysky. The amount invested by the corporation in the authorised capital of these companies was decreasing. The main reason for the reduction of this type of assets is the return of assets to participants and the impairment as a result of unprofitable activities of the subsidiaries. Obviously, the capabilities of CSE Saryarka for this type of activity are not fully utilised, since the corporation is obliged to work with companies that perform a number of social functions at the current stage, which prevents them from being commercially successful in the market. It is quite possible to expand such activities for the CSE by involving it not only as a founder of special quasi-state structures but also as an investor in profitable commercially successful firms. The main criteria for selecting projects for the implementation in the Saryarka group are not only its financial profitability but also its strategic importance for the region.

According to their initial task, corporate social enterprises as institutions fostering regional development are created in the form of holding companies, and their main activity is aimed at attracting investments to the region required for the implementation of infrastructure and innovative projects and promotion of small and medium-sized businesses' initiatives. However, the results of the study reveal systemic problems that prevent their absolute development as institutions fostering regional development. In view of the abovementioned facts, the authors of the research propose measures to address the related problems.

Keywords: Public-private Partnership; Institutes; Mechanisms; Corporate Social Enterprises; Saryarka

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Развиток державно-приватного партнерства в Казахстане:**прикладне дослідження на базі міжнародного бенчмаркінгу**

Анотація. У статті розглянуто потенційні можливості розвитку механізмів державно-приватного партнерства в Казахстані на базі спеціалізованих інституційних організацій – соціально-підприємницьких корпорацій. Розглянуто світовий досвід створення та функціонування регіональних інститутів розвитку, на основі якого було визначено три основні моделі їх організації. Встановлено, що казахстанська модель соціально-підприємницьких корпорацій через непослідовну політику уряду не перетворилася на повноцінний інститут регіонального розвитку. В результаті аналізу основних показників соціально-підприємницьких корпорацій по всьому Казахстану було встановлено, що велика їх частина все ще знаходиться на інвестиційній стадії свого розвитку й не здійснює безпосередню підтримку підприємницької сфери відповідних регіонів. На матеріалах аналізу діяльності соціально-підприємницької корпорації «Сариарка» Карагандинської області було визначено основні напрямки інвестиційної діяльності цього інституту регіонального розвитку, що зводилися переважно до реалізації операторської функції перерозподілу державних інвестиційних ресурсів. Згідно з первісним задумом, соціально-підприємницькі корпорації як регіональні інститути розвитку створюються у формі холдингових компаній. Їхня діяльність більшою мірою спрямована на залучення інвестиційних ресурсів у регіон для реалізації інфраструктурних та інноваційних проєктів, сприяння розвитку бізнес-ініціатив малого та середнього підприємництва. За результатами проведеного дослідження було визначено системні проблеми, що перешкоджають повноцінному становленню соціально-підприємницьких корпорацій як інституту регіонального розвитку, а також запропоновано першочергові заходи щодо їх вирішення.

Ключові слова: державно-приватне партнерство; соціально-підприємницькі корпорації; регіональні інститути розвитку; «Сариарка».

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Развитие государственно-частного партнерства в Казахстане:**прикладное исследование на базе международного бенчмаркинга**

Аннотация. В статье рассмотрены потенциальные возможности развития механизмов государственно-частного партнерства в Казахстане на базе специализированных институциональных организаций, таких как социально-предпринимательские корпорации. Рассмотрен мировой опыт создания и функционирования региональных институтов развития, на основе которого были определены три основные модели их организации. Установлено, что казахстанская модель социально-предпринимательских корпораций из-за непоследовательной политики правительства не превратилась в полноценный институт регионального развития. В результате анализа основных показателей социально-предпринимательских корпораций по всему Казахстану было установлено, что большая их часть все еще находится на инвестиционной стадии своего развития и не осуществляет непосредственную поддержку предпринимательской сферы своих регионов. На материалах анализа деятельности социально-предпринимательской корпорации «Сарыарка» Карагандинской области определены основные направления инвестиционной деятельности данного института регионального развития, которые сводятся преимущественно к реализации операторской функции по перераспределению государственных инвестиционных ресурсов. Социально-предпринимательские корпорации как региональные институты развития создаются в форме холдинговой компании, и их основная деятельность направлена на привлечение инвестиционных ресурсов в регион для реализации инфраструктурных и инновационных проектов, содействие развитию бизнес-инициатив малого и среднего предпринимательства. По результатам проведенного исследования были определены системные проблемы, препятствующие полноценному становлению социально-предпринимательских корпораций как института регионального развития, а также предложены первоочередные мероприятия по их решению.

Ключевые слова: государственно-частное партнерство; социально-предпринимательские корпорации; региональные институты развития; «Сарыарка».

1. Introduction

With new economic relations being gradually formed in modern Kazakhstan, and the country's economy becoming more and more integrated into the international community,

there is an urgent need for structural changes and closer interaction of the state and the private sector. Public-private partnership (PPP) as an effective system has appeared and begun to play a more role nowadays. The keen interest in the

interaction of the state and private businesses is explained by the fact that in many countries it allows to effectively solve a wide scope of social and economic problems by pooling resources of the state and private sectors.

Budgetary restrictions in the conditions of the current financial and investment crisis force to reconsider both the republican and local budgets aimed at the implementation of many projects (construction of houses, development of transport and communication infrastructure, creation of alternative types of public transport, etc.). Despite some decrease in investment activity, for the state there's a relevant task of attracting private capital within these fields of activity to significantly increase their efficiency.

2. Brief Literature Review

The development of public-private partnerships in the post-Soviet space is primarily associated with the development of the institutional base and corresponding mechanisms that have already been tested in modern world practice. Public-private partnership as a specialised development institution in Kazakhstan is associated with the activities of corporate social enterprises (CSEs) (Sansyzybayeva & Alakhunova, 2015) [16], which, in general, does not fully correspond to the purpose of their creation and functioning. Depending on the goal and objectives of social-entrepreneurial corporations, they are usually referred to regional development institutions. The main mission of all CSEs in Kazakhstan is to act as operators and coordinators of all significant projects in the regions and to finance social projects in the region. Proceeding from this, this task can be accomplished only by obtaining stable income from core activities, developing businesses and investing in a particular region.

Therefore, when considering the world experience relating to the development of corporate social enterprises, it is necessary to pay attention primarily to the regional development agencies that operated in the UK until 2012. Those agencies acted as a link between the central government, regional and local authorities as well as business and the public.

Regional development agencies (RDAs) in the UK are non-departmental public bodies created mainly for the economic development of certain regions of the country. In addition, RDAs perform an international integration function, shifting the responsibility of the government structures to administer the EU regional development funds. For each of the 9 regions of the UK, there is one RDA [13].

RDAs were created by a special Act in 1998 and since then their powers have steadily expanded. However, in 2010, the UK Government announced its plans to cancel RDAs by 2012. That year, all the RDAs were replaced with local business partnerships. In fact, this was due to the desire to save the budget of the United Kingdom. Nevertheless, this fact is eloquent: the RDA form is neither ideal nor static, and is exposed to development and revision (Halkier, 2012) [9].

Meanwhile, the efficiency of RDA was quite high, as indicated, in particular, by the magnitude of the investment multiplier of these structures. Thus, the expert research by the company PricewaterhouseCoopers conducted in 2009 showed that the UK RDAs generated GBP 4.5 for the local economy with every pound of government spending. This value rises to GBP 6.4 at inclusion of future income in calculations.

Canada has established quite powerful regional development agencies. There are four of them: Atlantic Canada Opportunities Agency, Federal Economic Development Initiative for Northern Ontario, Western Economic Diversification Canada and The Economic Development Agency of Canada for the Regions of Quebec [21].

The Quebec Agency is a federal body responsible for promoting economic growth in Quebec by encouraging small and medium-sized enterprises.

Regional Development Australia is an Australian government initiative that brings together all levels of government to support the growth and development of the regions of the country (Beer & Maude, 2002) [5]. It is a national network of 55 committees that build partnerships between governments,

regional development organisations, local businesses and community groups (Gleeson & Coiacetto, 2005) [8]. Yet, the concept of the Australian Agency as such is not formally used in the country (Barth et al., 2015) [18].

In Russia, the Institute of regional development has not yet been established in the form of multi-functional specialised agencies (Tatarkin & Kotlyarova, 2013; Valitov & Khakimov, 2015) [19; 23]. However, some early examples of such a mechanism already exist. These include the regional development system built in the Kaluga region [15].

A system of regional development institutions has been created in the region, which helps the partners of the region to implement projects as quickly and comfortably as possible [14]. They include:

- SAI KR Agency for Regional Development of Kaluga Region - a state consultant engaged in the creation of the most comfortable business environment to attract investment in the region;
- OJSC Kaluga Region Development Corporation - a state operator for the establishment and development of industrial parks and engineering infrastructure;
- OJSC Agency for Innovative Development Center for Cluster Development of Kaluga Region - a state operator for the development of the innovative and high-tech sector of the economy.
- AS Agency for the Development of the Agricultural Sector - a state operator supporting projects in the agricultural sector of Kaluga region.
- LLC Industrial logistics - a state operator for the implementation of logistics projects in the region.

The analysis of foreign experience shows that it makes sense to talk about the main three models of the organisation of regional development institutions in the form of:

- 1) agencies with a strong centralised start (Canada, Australia);
- 2) agencies dominated by decentralised mechanisms (the United Kingdom until 2012, Russia);
- 3) state corporations and business partnerships (Kazakhstan, the United Kingdom after 2012).

Based on benchmarking of foreign experience, it has been determined that there is a definite evolutionary connection between the models of organisation of regional development institutions.

It is impossible to say anything about the advantages of a particular model in relation to other models. However, one should consider the evolutionary relationship between the three models. As a rule, along with the successful development of a centralised form of the regional development agency, the degree of participation of the Center gradually decreases, whereas the role of local communities increases (Brekke, 2015) [22]. At the last stage of their development, agencies are reborn into state corporations. This is due to the increasing agency efficiency, when the financial tranches of the central and regional governments may no longer be gratuitous and unprofitable, but capitalised, taking the form of a share in a business with a corresponding income from it (Friedman & Desivilya, 2010) [24]. Thus, the financial assistance of the government is transformed into investment cooperation with private businesses in the form of commercially successful projects, i.e. public-private partnership. Over time, the functions of regional development agencies are modified towards the dominance of more specialised goals and objectives (Rodríguez-Pose, 2013) [22].

In Kazakhstani conditions, we have adopted the format of state corporations, in the hope of instant profitability and effectiveness of CSEs, keeping in mind the prospects for significant accumulation of social investments in the region (Abdymanapov et al., 2017; Abdymanapov, Toxanova & Galiyeva, 2016; Taubayev, Doskaliyeva & Akyenov, 2016) [1-2; 20]. However, not passing through the entire evolutionary chain, i.e. from regional operators to self-sufficient state corporations supported only by project financing, has led to low effectiveness of their activities. All of this explains the current position of CSEs in Kazakhstan as regional operators and not investors, as was supposed at the beginning of their creation. In addition, the issues of innovation and

technological development of the regions of Kazakhstan, also scheduled for a decision with the participation of CSEs, did not produce the effective result, as evidenced by the low regional indicators of science and innovation (Mukhtarova & Kupeshova, 2015) [10].

3. Purpose

The purpose of the study is to determine the problems and prospects of Kazakhstan's development in terms of public-private partnership, the generally recognised mechanism of co-financing of large infrastructure investment projects in the world. The purpose of this article is also to assess the potential for the development of public-private partnership mechanisms in Kazakhstan on the basis of specialised institutional organisations such as corporate social enterprises.

4. Results

In the conditions of the formation of new economic relations in Kazakhstan through active integration into the global world economy, the issues of effective interaction between the state and the private sector have been actualised. This phenomenon has already been introduced as an independent institution called public-private partnership (PPP). This arouses considerable interest in this phenomenon as an effective form of interaction between the state and the private sector, which makes it possible to effectively solve current social and economic problems in many countries of the world through the integration of government resources and private business.

In modern conditions of the next round of the global financial and investment crisis, budgetary constraints are becoming an essential condition for the implementation of significant infrastructure projects in such areas as housing, transport and communications infrastructure, the development of alternative public transport options, etc., which causes a revision from the implementation of such projects at the expense of both the republican and local budgets. In addition, in this situation, the government agencies responsible for the implementation of such investment projects are forced to involve the resources of private business in these infrastructure areas, which will allow not only to realise them, but also significantly improve their efficiency (Akhmetshina, Khairullina & Kabasheva, 2016) [3].

As international experience shows, innovation and infrastructure projects implemented jointly with private businesses have a fairly short period of project implementation, minimum project costs and a high level of end-user satisfaction with the project results. In addition, the implementation of joint public-private projects significantly saves budget expenditures, which, as we have already noted, is very important in the current crisis conditions.

As we have noted, the advantages of PPP projects lie in accelerating implementation time with simultaneous saving of budget investments and achieving customer satisfaction with projects, which significantly increases their importance and enhances development of the regulatory framework for the functioning of public-private partnership in the modern conditions in Kazakhstan.

At the present stage, the world economy has accumulated quite a great experience in the development of public-private partnership, which suggests a confirmed reality of the prospects, as well as proven socio-economic efficiency of projects based on PPP mechanisms. As an example, from the beginning of the 1990s., «in countries with transitional economies and in developing countries, more than 2,700 PPP projects have been created, including in the sphere of infrastructure» (OECD, 2000; OECD, World Bank; 2002) [11-12].

Institutions and mechanisms of PPP have become integral parts of investment policy in both developed and developing countries of the modern world. It has been established that owing to the introduction of public-private partnership mechanisms, the normal development and functioning of the main elements of a market economy has become possible, as evidenced by examples from both developed and developing countries that apply the basic forms

of implementing PPP projects in their investment policies. This is due to the fact that public-private partnership provides a full opportunity to use effective business models in the public sphere, as well as to more effectively and expeditiously solve the most acute problems of public policy. Thus, based on the study of world experience, it can be argued that it is public-private partnership that is the most effective mechanism for investing in significant infrastructure projects at the current stage, which leads to their active use in Kazakhstan, where there is also a high need for infrastructure projects under the Presidential Program Nurly Zhol.

In accordance with the current international practice in the implementation of PPP projects, two main forms of public-private partnership, such as institutional and contractual, are also actively used in Kazakhstan. Kazakhstan has already formed the basic elements of the development of these forms of public-private partnership, i.e. the relevant regulatory documents have been developed and adopted, relating to a number of infrastructure projects mainly in the transport and energy sectors.

Consequently, specialised PPP institutions have been created and are functioning. Contract forms of PPP projects are implemented in Kazakhstan under the direct coordination of a specially created organisation, which is JSC Kazakhstan Center for Public-Private Partnership (PPP Center). The Center serves as an analytical and expert center of the Government of the Republic of Kazakhstan to promote and develop contractual forms of public-private partnership in Kazakhstan through thematic and analytical research, as well as through training and consulting, examination and evaluation of investment projects.

The implementation of the institutional form of public-private partnership in Kazakhstan is carried out mainly through regional social business corporations (CSEs). The creation and functioning of corporate social enterprises in Kazakhstan is primarily associated with the transfer of the «center of gravity» of the economic reforms to the regions. In addition, for the successful application of all forms of public-private partnership, they should be implemented at the regional level. In this regard, the formation of a network of regional development institutions specialising in the integration of efforts and resources of the state and businesses, fully meets the demands of the economic reforms in Kazakhstan. Compared to the above mentioned PPP Center, corporate social enterprises implement more tasks and functions and carry out direct economic and other activities with the help of assets and resources transferred to them to provide management.

CSEs' activities are aimed at joining efforts of the state and private business in the areas of subsoil use, implementation of specific investment and infrastructure projects, as well as attracting investments for the development of all sectors of the regional economy [17].

As the main document of the regulatory support for CSEs, we should single out the «Concept for the Creation of Regional Corporate Social Enterprises» which was developed in accordance with the «Territorial Development Strategy of the Republic of Kazakhstan until 2015» and adopted based on the relevant Resolution of the Government of the Republic of Kazakhstan No. 483 as of 31 May 2006. As noted in these regulatory documents, the main goal of the CSEs is «to promote the economic development of the regions by consolidating the public and private sectors, creating a single economic market based on the cluster approach».

In addition, a purposeful definition of a CS was given in the Message of President of the Republic of Kazakhstan Nursultan Nazarbayev to the people of Kazakhstan in 2006, where he noted that «social-entrepreneurial corporations are sustainable business structures operating for the purpose of profit from the production and sale of goods and services. The main difference between SECs and commercial corporations is that the profits are reinvested in order to realise the social, economic or cultural goals of the

population of the region in whose interests SECs were created».

According to the idea of the Message, CSEs were to become regional development institutions in the form of holding companies to manage state assets in the relevant region of the country. CSEs' activities are aimed at attracting investment resources for the implementation of infrastructure and innovative projects, promoting the development of small and medium-sized businesses' initiatives through strengthening their cooperation between themselves and the state (Davletbayeva, Taubayev & Kuttybai, 2018) [6].

Thus, a network of corporate social enterprises has already been established in the Republic of Kazakhstan, operating in each region of the country. Since their inception in 2006, they have undergone several transformational changes that caused major changes in the structure of the organisation and management. Initially, Kazakhstan's seven corporate social enterprises were established covering the so-called macro regions of the country, i.e. one CSE serves several regions, for example, CSE Saryarka, besides Karaganda region, belongs to the City of Astana and Akmola region.

Subsequently, the CSE has changed the supervising bodies several times and is under the control of regional authorities established in each regional center and cities of regional importance. As a result, currently there are 16 corporate social enterprises operating in Kazakhstan (Table 1).

Table 1 shows the dynamics of sales and investments in subsidiaries of all the 16 CSEs of the Republic of Kazakhstan for during period between 2015 and 2016, compiled on the basis of the consolidated financial statements of the CSEC obtained from the Depository of Financial Statements of the Ministry of Finance of the Republic of Kazakhstan [7]. As can be seen from Table 1, the presented data both in dynamics and in the structure have high differentiation. This trend is due to the following reasons:

- CSEs with relatively high sales revenues (more than KZT 1 billion) are characterised by the presence of a wide, extensive network of subsidiaries that are engaged in specific areas of production and provision of services, i.e. CSE data as a whole completes the investment phase of its activities and starts the operational phase;
- SECs with average sales revenue from KZT 200 million to KZT 700 million, except for CSE Saryarka, act as operators of regional authorities in their institutional support of the business and investment climate in the region and are not deeply engaged in the areas of production and provision of services;
- SECs with low sales revenue (below KZT 200 million), including SEC Saryarka, are still in the investment phase of their activities, engaged in the construction of those infrastructure and commercial facilities, with the introduction of which, they will move to the first category of SECs, i.e. those with high sales revenue.

The evolution of the development of the stages of the SECs in Kazakhstan can be traced if we consider the example of JSC National Company CSE Saryarka of Karaganda region. JSC National Company CSE Saryarka was established by the Decree of the Government of the Republic of Kazakhstan No. 22 as of 15 January 2007 in order to promote the economic development of Akmola and Karaganda regions, and the City of Astana.

Further, in view of the Decree of the Government of the Republic of Kazakhstan No. 266 31 March 2010, it was

Tab. 1: Change in sales revenue and investments in subsidiaries of the CSEs in the Republic of Kazakhstan in 2015-2016

Name of SEC	Sales revenue, consolidated				Investments in subsidiaries			
	2015		2016		2015		2016	
	KZT million	USD million	KZT million	USD million	KZT million	USD million	KZT million	USD million
1. JSC SEC Ertis (East Kazakhstan region)	1904.5	8.6	2722.5	8.0	279.0	1.3	347.0	1.0
2. JSC SEC Shymkent (South Kazakhstan region)	1167.8	5.3	702.7	2.1	740.7	3.3	740.0	2.2
3. JSC SEC Pavlodar (Pavlodar region)	1121.9	5.1	1146.5	3.4	23.1	0.1	23.1	0.1
4. JSC SEC Caspian (Mangystau region)	1143.7	5.2	1281.1	3.7	497.1	2.2	311.0	0.9
5. JSC SEC Saryarka (Karaganda region)	695.8	3.1	845.5	2.5	8823.3	39.8	8415.9	24.6
6. JSC SEC Tobol (Kostanay region)	694.0	3.1	227.6	0.7	28.9	0.1	0.0	0.0
7. JSC SEC Astana (Astana)	605.5	2.7	629.8	1.8	226.4	1.0	224.0	0.7
8. JSC SEC Soltustik (North Kazakhstan region)	574.7	2.6	956.9	2.8	165.2	0.7	95.0	0.3
9. JSC SEC Atyrau (Atyrau region)	514.1	2.3	155.2	0.5	613.7	2.8	992.2	2.9
10. JSC SEC Almaty (Almaty)	413.0	1.9	179.2	0.5	9.2	0.0	442.3	1.3
11. JSC SEC Zhetisu (Almaty region)	357.6	1.6	839.1	2.5	198.2	0.9	0.0	0.0
12. JSC SEC Esil (Akmola region)	287.0	1.3	169.1	0.5	405.4	1.8	146.6	0.4
13. JSC SEC Baykonyr (Kyzylorda region)	138.0	0.6	371.5	1.1	4185.1	18.9	3459.5	10.1
14. JSC SEC Aktobe (Aktobe region)	32.5	0.1	94.8	0.3	559.4	2.5	529.1	1.5
15. JSC SEC Taraz (Zhambyl region)	24.6	0.1	289.0	0.8	1595.9	7.2	1654.6	4.8
16. JSC SEC Oral (West Kazakhstan region)	22.2	0.1	7.0	0.0	0.3	0.0	0.3	0.0

Source: Compiled by the authors based on [7]

decided to transfer the state shareholding of JSC National Company CSE Saryarka in equal shares to municipal property of Astana, Karaganda and Akmola regions.

The next step was the reorganization of CSE Saryarka into three separate regional corporate social enterprises, namely Saryarka, Esil and Astana. Thus, CSE Saryarka is currently a regional development institute whose activity is aimed at the economic and social development of the Karaganda region. The principles of work and activities of the CSE are reflected in its mission and consist in promoting sustainable development of Karaganda region through the effective use of public-private partnership mechanisms and formation of the investment and innovation infrastructure to achieve a qualitatively new level of competitiveness, as well as diversification of the regional economy.

As we noted earlier, the structure of CSE Saryarka currently includes 53 subsidiaries, affiliates and associated enterprises [17]. The latter cover a variety of areas of economic activity, from activities in the housing and utilities sector to activities in the agro-industrial complex, metallurgy and metalworking.

Despite the significant diversification of areas of its activity, CSE Saryarka operates within the framework of achieving the main goal - ensuring institutional conditions for sustainable development of the economy of Karaganda region, through the formation of a favourable investment and business climate through effective integration of public and private interests, and most importantly, ensuring a sufficiently high standards of living for the population of the region through the initiation and implementation of significant socially oriented projects.

The evaluation of key financial and economic indicators of the activities of CSE Saryarka was carried out on the basis of using the data of the financial statements of the corporation (separate and consolidated) for the 2012-2016 period. To conduct the necessary calculations, we took several resulting parameters such as revenues and profits of CSE Saryarka. At the same time, we considered sales revenue, financial income and other types of income as the main

items of corporate income during the specified period, which had the greatest impact on the company's total profit.

We begin the analysis of indicators with an assessment of the dynamics of revenue (see Figure 1 and Table 2).

The data show that, in general, there is no clearly directed tendency to form revenue in relation to the corporation itself and its subsidiaries: in some years (2013 and 2015) the contribution of the corporation was bigger, while, for example, in 2014 subsidiaries made almost ½ of the whole proceeds. It should be noted that in the receipt of revenues of the CSE itself, there was an upward trend during the 2014-2016 period. However, there is no clear trend for subsidiaries: 2013 and 2015 were the years of decline, whereas 2014 and 2016 were the years of growth.

However, it should be noted that the financial statements of the corporation show that gross profit, calculated as the difference between revenues and cost of goods and services sold, had a positive value of over KZT 100 million during the whole period of operation with a clearly pronounced decline to a five-year minimum in 2014 (this trend - the achievement of the minimum income in 2014 - should be associated with the devaluation of tenge and can be taken into consideration when evaluating the indicators below).

Let us turn to the assessment of certain types of assets of CSE Saryarka. Regarding the CSEs' long-term assets, it is of interest to analyze such parameters as the issuance of loans under state programs and the cost of investments in subsidiaries. Let us study the issuance of loans for state programs (Table 3).

The analysis of the data in Table 3 shows that the CSE was the operator of four state programs, under which five-year loans were issued totaling USD 28.7 million, with the largest amount of money (more than one half) issued under the «Employment 2020» Program (over USD 10 million).

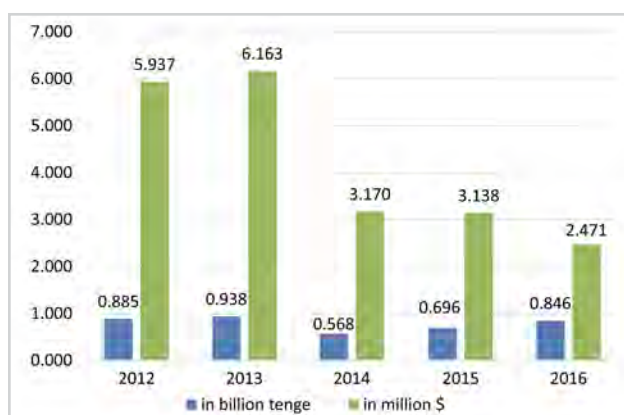


Fig. 1: Dynamics of revenues from the sale of consolidated in KZT billion and USD million

Source: Compiled by the authors based on [17]

Tab. 2: CSE Saryarka

	2012	2013	2014	2015	2016
Revenues from sales consolidated, KZT billion	0.885	0.938	0.568	0.696	0.846
Weighted average annual exchange rate KZT 1 to USD 1	149.11	152.13	179.19	221.73	342.16
Revenue from consolidated sales, USD million	5.94	6.16	3.17	3.14	2.47
Revenue from the implementation of the CSE, USD million		5.47	1.67	2.29	1.59
Share of revenue of subsidiaries in consolidated revenue, USD million	5.94	0.69	1.50	0.84	0.88
CSE's revenue share in consolidated revenue, %		88.82	52.70	73.11	64.25
Share of revenue of subsidiaries in consolidated revenue, %	100.0	11.18	47.30	26.89	35.75

Source: Compiled by the authors based on [17]

Tab. 3: Issuance of loans under state programs for CSE Saryarka, USD million

	2012	2013	2014	2015	2016
Loans on SE Modernization of Housing and Public Utilities	2.62	0.88	0.90	1.56	0.91
Loans on SE Employment 2020	8.54	4.45	3.62	1.17	0.00
Loans on SE Monotown			0.47	0.46	0.21
Loans on SE Formation of Stabilization Fund of Food Products		2.92			
Total loans by state programs	11.16	8.24	4.99	3.19	1.12

Source: Compiled by the authors based on [17]

As the operator of these programs, the CSE assumed an obligation to properly distribute the received financial resources among creditworthy borrowers with projects that could be implemented into a profitable business. Naturally, a possible loss of the corporation on these investments is not directly related to the company's activities, since the money is received from the state budget. However, the high risk of this group of assets can lead to the loss and adversely affect the financial position of the corporation itself.

Let us study the dynamics of investments in the subsidiaries of CSE Saryarka (Table 4).

Tab. 4: Dynamics of investments in subsidiaries of CSE Saryarka

	2012	2013	2014	2015	2016
Investments in subsidiaries, USD million	169.51	128.12	114.41	39.79	24.60
Number of subsidiaries, units	5	4	4	3	3

Source: Compiled by the authors based on [17]

Table 4 shows that CSE Saryarka gradually reduces its participation in the investment of subsidiaries: if there were 5 units in 2012, then in the 2015-2016 period there were 3 units left (Industrial Park Metallurgy-Metalworking, LLP Arka, and LLP SZTS Abaysky). At the same time, the amount invested by the corporation in the authorized capital of these companies was decreasing. The main reason for the reduction of this type of assets is the return of assets to participants and the impairment (the latter as a result of unprofitable activities of subsidiaries).

Obviously, the capabilities of CSE Saryarka for this type of activity are not fully utilised, since the corporation is obliged to work with companies that perform a number of social functions at the current stage, which prevents them from being commercially successful in the market. It is quite possible to expand such activities for the CSE by involving it not only as a founder of special quasi-state structures but also as an investor in profitable commercially successful firms. The main criteria for selecting projects for the implementation in the Saryarka group are not only its financial profitability but also its strategic importance for the region.

5. Conclusions

In general, as practice shows, there are systemic problems that lead to low efficiency of corporate social enterprises in Kazakhstan, which ultimately hamper their development. They include:

1. A wide range of tasks, from the need to involve in the economic turnover of potentially unprofitable state assets on the ground to the necessity of a socially oriented state corporation. In other words, there is a discrepancy between the resource base and the assigned goals and objectives of the business unit.

2. The lack of a clear regulatory and legal framework for the functioning of the CSEs has led to problems with the alienation of state assets in favour of potential investors, the lack of opportunities for accumulating and spending investment resources, the lack of regulation of the SECs' income distribution mechanisms, and the possibilities for its further investment in social projects.

All the identified systemic problems are known to the Government of Kazakhstan and are being solved by stages. Corporate social enterprises of Kazakhstan, owning on behalf of the state significant property assets, start-up capital, and beyond that, extensive mineral rights in the regions have great potential for development in the future. This characterises their positive influence on further development of the public-private partnership in Kazakhstan as a whole.

And now, on the basis of regional CSEs, the necessary elements are being created for the formation of a modern

model of a continuous investment process by using public-private partnership mechanisms which are designed to increase the efficiency of managing the investment processes of the regional system. Forming a favourable investment climate in the region will primarily depend on the presence of companies creating a highly efficient infrastructure for business processes, productive work of state bodies promoting its development and the activity of local companies and enterprises looking for new investment resources for business development.

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