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 Akmola 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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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

1. Introduction

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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 re-
ources of the state and private sectors.

Budgetary restrictions in the conditions of the current fi-
nancial and investment crisis force to reconsider both the re-
publican and local budgets aimed at the implementation of many projects (construction of houses, development of transpor-
tation and communication infrastructure, creation of alter-
native types of public transport, etc.). Despite some decrease in invest-
ment activity, for the state there’s a relevant task of attrac-
ting private capital within these fields of activity to sig-
nificantly increase their efficiency.

2. Brief Literature Review

The development of public-private partnerships in the post-
Soviet space is primarily associated with the devel-
optment of the institutional base and corresponding mecha-
nisms that have already been tested in modern world prac-
tice. Public-private partnership as a specialised development in-
stitution in Kazakhstan is associated with the activities of
corporate social enterprises (CSEs) (Samsyzbayeva & Alakhu-
nova, 2015) [16], which, in general, does not fully correspond to the pur-
pose of their creation and functioning. Depending on the goal and objectives of social-entrepreneurial corpora-
tions, they are usually referred to regional development institu-
tions. The main mission of all CSEs in Kazakhstan is to act as operators and coordinators of all significant projects in the region. The social project of Kaluga region resulting from this, this task can be accomplished only by obtai-
nning stable income from core activities, developing business-
es and investing in a particular region.

Therefore, when considering the world experience rela-
ting to the development of corporate social enterprises, it is
necessary to pay attention primarily to the regional deve-
lopment agencies that operated in the UK until 2012. Those agen-
cies acted as a link between the central government, regi-

ional 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 government announced its plans to close RDAs by 2012. That year, all the RDAs were replaced with local busi-

ness 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 ex-
posed to development and revision (Halkier, 2012) [9].

Meanwhile, the efficiency of RDA was quite high, as in-
dicated, 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 cal-
culations.

Canada has established quite powerful regional develop-
ment agencies. There are four of them: Atlantic Canada Op-
opportunities Agency, Federal Economic Development Initiative for Northern Ontario, Western Economic Diversification Cana-
da and The Economic Development Agency of Canada for the Regions of Ontario [7].

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

Regional Development Australia is an Australian govern-
ment initiative that brings together all levels of government to
support the growth and development of the regions of the coun-
try (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 & Coiackett, 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 special-
ised agencies (Tatarkin & Kotyaraova, 2013; Valitov & Khaki-
mov, 2015) [19; 23]. However, some early examples of such a mechanism already exist. These include the regional develop-
ment 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:

- SKR Agency for Regional Development of Kaluga Re-
gion - 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 indus-
trial parks and engineering infrastructure;
- OJSC Agency for Innovative Development Center for Clus-
ter 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 Sect-
   or - a state operator supporting projects in the agricultural sec-
   tor (from 2004);
- LLC Industrial logistics - a state operator for the implemen-
tation 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 (Kaluga region,
   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. Howe-
ver, one should consider the evolutionary relationship
between the three models. As a rule, along with the successful
development of a centralised form of regional develop-
ment, agencies are reborn into state corporations. This
is due to the increasing agency efficiency, when the finan-
cial tranches of the central and regional governments may
no longer be gratuitous and unprofitable, but capitalised, tak-
king 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 in-
vestment cooperation with private businesses in the form of
commercially successful projects, i.e. public-private partner-
ship. Over time, the functions of regional development agen-
cies are modified towards the dominance of more specialised
goals and objectives (Rodríguez-Pose, 2013) [22].

In Kazakhstani conditions, we have adopted the for-
mat of state corporations, in the hope of instant profita-

bility and effectiveness of CSEs, keeping in mind the prospects
for significant accumulation of social investments in the re-
gion (Abdymanapov et al., 2017; Abdymanapov, Toxan-
va & Galiyeva, 2016; Taubayev, Doskaleev & Akenyov, 2016)
[1; 2; 20]. However, not passing through the entire evolutio-
nary chain, i.e. from regional operators to self-sufficient state

organizations supported only by project financing, has led to
low effectiveness of their activities. All of this explains the

unwillingness of CSEs in Kazakhstan as regional opera-
tors 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 growth recognized 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 specialized 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 actualized. 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 resources.

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, Kharinullina & 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. 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, Kharinullina & Kabasheva, 2016) [3].

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 projects, 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) [1-12].

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 an additional sphere, 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, specialized 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 (PPC Center). The Center serves as an analytical and expert center for 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 PPC Center, corporate social enterprises are 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 subsurface 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» [12].

In addition, a purposeful definition of a CS was given in the Message of the 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 from the purpose of profit from the production and sale of goods and services. The main difference between SECs and commercial corporate structures is that the profit is not only created 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, SECs were to become regional development institutions in the form of holding companies to manage state assets in the relevant region of the country. SECs’ 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 Depositary 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 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 Akмолa and Karaganda regions, and the City of Astana. Pursuant to the Decree of the Government of the Republic of Kazakhstan No. 266 31 March 2010, it was 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

<table>
<thead>
<tr>
<th>Name of SEC</th>
<th>Sales revenue, consolidated 2015</th>
<th>Investments in subsidiaries 2015</th>
<th>Sales revenue, consolidated 2016</th>
<th>Investments in subsidiaries 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC SEC Eris (North Kazakhstan region)</td>
<td>1904.5</td>
<td>8.6</td>
<td>2722.5</td>
<td>8.0</td>
</tr>
<tr>
<td>JSC SEC Shymkent (South Kazakhstan region)</td>
<td>1167.8</td>
<td>5.3</td>
<td>702.7</td>
<td>2.1</td>
</tr>
<tr>
<td>JSC SEC Pavlodar (Pavlodar region)</td>
<td>1121.9</td>
<td>5.1</td>
<td>1146.5</td>
<td>3.4</td>
</tr>
<tr>
<td>JSC SEC Caspiian (Manjystau region)</td>
<td>1143.7</td>
<td>5.2</td>
<td>1281.1</td>
<td>3.7</td>
</tr>
<tr>
<td>JSC SEC Saryarka (Karaganda region)</td>
<td>695.8</td>
<td>3.1</td>
<td>845.5</td>
<td>2.5</td>
</tr>
<tr>
<td>JSC SEC Saryarka (Kostanay region)</td>
<td>694.0</td>
<td>3.1</td>
<td>227.6</td>
<td>0.7</td>
</tr>
<tr>
<td>JSC SEC Astana (Astana)</td>
<td>605.5</td>
<td>2.7</td>
<td>629.8</td>
<td>1.8</td>
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<tr>
<td>JSC SEC Soltustik (North Kazakhstan region)</td>
<td>574.7</td>
<td>2.6</td>
<td>956.9</td>
<td>2.8</td>
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<tr>
<td>JSC SEC Astana (Akmola region)</td>
<td>514.1</td>
<td>2.3</td>
<td>155.2</td>
<td>0.5</td>
</tr>
<tr>
<td>JSC SEC Almaty (Almaty region)</td>
<td>413.0</td>
<td>1.9</td>
<td>179.2</td>
<td>0.5</td>
</tr>
<tr>
<td>JSC SEC Zheti (Zheti region)</td>
<td>357.6</td>
<td>1.6</td>
<td>839.1</td>
<td>2.5</td>
</tr>
<tr>
<td>JSC SEC Esil (Akmola region)</td>
<td>287.0</td>
<td>1.3</td>
<td>169.1</td>
<td>0.5</td>
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<tr>
<td>JSC SEC Baykonty (Kyzylorda region)</td>
<td>136.0</td>
<td>0.6</td>
<td>371.5</td>
<td>1.1</td>
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<tr>
<td>JSC SEC Akto (Akto region)</td>
<td>32.5</td>
<td>0.1</td>
<td>94.8</td>
<td>0.3</td>
</tr>
<tr>
<td>JSC SEC Taraz (Zhambyl region)</td>
<td>24.6</td>
<td>0.1</td>
<td>289.0</td>
<td>0.8</td>
</tr>
<tr>
<td>JSC SEC Oral (Wied Kazakhstan region)</td>
<td>22.2</td>
<td>0.1</td>
<td>7.0</td>
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Source: Compiled by the authors based on [7]
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 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.

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).

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 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 (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.

![Fig. 1: Dynamics of revenues from the sale of consolidated in KZT billion and USD million](Image)

**Source:** Compiled by the authors based on [17]

**Tab. 2: CSE Saryarka**

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<tr>
<td>Weighted average exchange rate KZT 1 to USD 1</td>
<td>149.11</td>
<td>152.13</td>
<td>179.19</td>
<td>221.73</td>
<td>342.16</td>
</tr>
<tr>
<td>Revenue from consolidated sales, USD million</td>
<td>5.94</td>
<td>6.16</td>
<td>3.17</td>
<td>2.34</td>
<td>2.47</td>
</tr>
<tr>
<td>Revenue from the implementation of the CSE, USD million</td>
<td>5.74</td>
<td>6.17</td>
<td>2.29</td>
<td>1.59</td>
<td></td>
</tr>
<tr>
<td>Share of revenue of subsidiaries in consolidated revenue, %</td>
<td>6.12</td>
<td>6.25</td>
<td>5.84</td>
<td>5.24</td>
<td></td>
</tr>
<tr>
<td>CSE’s revenue share in consolidated revenue, %</td>
<td>80.62</td>
<td>76.69</td>
<td>73.11</td>
<td>64.25</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Compiled by the authors based on [17]

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

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

**Source:** Compiled by the authors based on [17]

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in subsidiaries, USD million</td>
<td>169.51</td>
<td>128.12</td>
<td>114.41</td>
<td>39.79</td>
<td>24.60</td>
</tr>
<tr>
<td>Number of subsidiaries, units</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

**Source:** Compiled by the authors based on [17]
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