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## GOVERNMENT SUPPORT FOR MONOTOWNS IN THE REPUBLIC OF KAZAKHSTAN

*The objectives of the study are to identify the role of single-industry towns (also known as “monotowns”) in the economic development of the Republic of Kazakhstan, to determine the specific features of monotowns and to assess the effectiveness of government program documents aimed at supporting these entities. A number of research methods were used, including logical, systematic, structural-functional, comparative analysis, statistical and index methods, economic forecasting and sociological surveys. Using these methods in combination allowed the researcher to consider the phenomena and processes, the dynamics and development, thus providing evidence as to the reliability of the conclusions obtained. As a result of this study, distinctive features of the socio-economic development of monotowns in the Republic of Kazakhstan were revealed. In addition, an evaluation was made of the main program documents aimed at supporting the development of monotowns; and the factors affecting their further development were identified. Proposals have been made in this study with regard to best ways in which to improve the monotown management systems both in terms of improving the program documents and in developing new evaluation tools. The principal novel feature of this study is the identification of the main trends in the development of monotowns in the Republic of Kazakhstan. These trends reveal that, although monotowns do play an important role in the economy of the country, they also tend to develop in extremely uneven and inconsistent ways and are characterized by having weak economic diversification and a strong dependence on the town-forming enterprises, with these enterprises mainly being mining companies. The recommendations in this study are based on the need to improve both the administrative and economic methods used for the state regulation of monotowns. During this study, the feasibility of making adjustments in the current development programs aimed at supporting monotowns and the consistency of development programs were considered.*

**Keywords:** monotown, governmental program, development specifics, support tools, town-forming enterprises, development strategy, regional development program, economic and social development, development tools, indicators

### Introduction

The development of monotowns is an evolutionary process that implies the development of productive forces at a qualitatively new level of production relations and involves higher concentration of innovation, science, education, as well as various prospective conditions providing for the development of people, businesses and the state. Considering the fact that monotowns in Kazakhstan are numerous, their functioning and sustainable development as administrative and territorial entities and socioeconomic systems is a matter of strategic importance for the economy of the country.

Distinctive features of monotowns in Kazakhstan include:

- wide spatial distribution – most monotowns in Kazakhstan are located in sparsely populated areas with poor transport infrastructure and geographic location;
- a weak investment climate and poor conditions for conducting business – in most monotowns, a favorable investment climate and developed institutional environment for starting businesses are lacking;
- an overly formal approach being taken (through plans and programs) for the promotion of economic development – in many cases, an unnecessarily complex and formal approach prevails in the making of government programs aimed at promoting the modernization and development of monotowns.

According to the dynamics and socioeconomic potential, monotowns in Kazakhstan can be broadly classified into the following categories:

- those having favorable conditions for rapid growth; they are fast and moderately developing;
- those needing to restructure and expand their economic base; they are slowly developing;
- those that are truly “depressed”; they are stagnating and shrinking [1].

Today, most studies of monotowns tend to lack reliable data, usually contain only a limited economic analysis and are often inconsistent in their theoretical approaches. It is clear that improvements are needed. Recent government programs to promote economic development of monotown provide new opportunities for the efficient functioning of monotowns, their dynamic development in the conditions of the Fourth industrial revolution. The effective realization of recent government programs and regulations ensures a greater extent of achievement of the goals as set out in the strategic plans and programs for the development of monotowns. In order to identify the ways to solve the problems with current approaches to monotowns, it is necessary to consider the special features of the socio-economic development of monotowns in the Republic of Kazakhstan. In addition, it is also important to identify the factors affecting their economic development and analyze the available instruments of state support for such development.

### **Research methodology**

The question as to what are the correct steps to be taken to promote economic development of monotowns has been widely studied in economic literature. This question has also been frequently discussed at international conferences and is well covered by the mass media and in specialized publications. These matters are reflected in modern government programs and regulations affecting monotowns.

The main priority in the ongoing research relates to the question as to how to encourage the proper management of urban development in monotowns. Thus, the concept of a program-targeted approach to city management was introduced [2–3] and the idea of “the city” as a focus of the urbanization process was developed [4].

The methods of predictive design were applied to the analysis of the fundamentals of urban structure, which led to the development of a set of measures aimed at improving urban management [5]. The specifics of the social and economic development management of monotowns at the territorial level were also identified [6–14].

It has been found that socio-economic urban development in monotowns represents an increase in the integration potential of their urban environment and that this is best accomplished by means of a systematic restructuring of their urban social and functional framework by reference to the criterion of “centrality” [15].

Currently, the most actively studied issues include the development of urban areas, urban environmental quality and exploiting of various opportunities available to improve it; as well as the development of spatial and functional approaches to the concept of urban space [16–17].

The category of a “city” may be viewed as a complex socio-cultural organism; one that is constantly developing and integrating the system of relationships within the community represented by it. The specific habitat therein is associated with the definition of urban lifestyle [18].

Theoretical and methodological approaches to the study of small towns from the standpoint of self-sufficiency are often investigated [19].

The urban environment is considered to be a historical and cultural type of territorial social community, the main feature of which is the isolation of professional groups; and, as a self-developing system [20], system spatial integrity [21], a multi-functional community housing the workplaces of its inhabitants [22].

The general experience of many studies investigating the specifics of the urban space leads one to conclude that the management of the sustainable development of monotowns is based on the following theoretical principles:

- the socio-economic processes in monotowns are influenced by a combination of conflicting internal and external factors and that their development can be (from the standpoint of achieving the goals) both positive and negative;
- the continuous integration of social, economic, business and environmental conditions when making managerial decisions as a sound basis for sustainable development.

The complexity of making appropriate analyses of program documents aimed at the development of monotowns can be explained by reference to the following factors:

- the efficiency of the economy of monotowns is difficult to consider separately from that of the national economy. Their development is frequently influenced by multiple socio-economic and other factors that emerge with the growing social division of labor;

– a systematic approach to analyzing the efficiency of the development of monotowns assumes that each monotown is to be considered as being a distinct unit of spatial-territorial division of the country. Because of their large dependence on town-forming enterprises and weak diversification of the economy, the effective development of monotowns is determined by the efficiency of particular sectors and by a rational choice of combination of sectors within each meso-region.

The inter-disciplinary and multi-dimensional character of the development of monotowns under modern conditions requires the application of one or more of the following theoretical and methodological approaches in the course of research:

– neoclassical and neo-liberal theories with their specific choice of driving forces for the socio-economic development of monotowns, which makes it possible to identify a variety of cause-effect relationships;

– theories and concepts of regional development (such as the theory of comparative advantages and the concept of multiple “poles of growth”), which tend to justify the principles of spatial organization of socio-economic systems;

– the institutional paradigm, allowing one to consider a monotown in the context of institutional theory and methodology;

– the general theory of systems, under which a monotown is treated as being a complex, multi-layered system consisting of many components (subsystems, structures) that have different types of interlinks and relationships in time and space;

– the space-and-time paradigm, allowing one to better understand the essence of the ongoing processes and shifts in the development of monotowns;

– the modernization paradigm, which tracks progressive changes and shifts in the economy of monotowns whilst at the same time accounting for modern transformations.

Key objectives of this research deal with a set of issues involved in the development of monotowns and the mechanisms aimed at solving them. The study of the development of monotowns includes not only an analysis of existing instruments of state support aimed at their development and the need to improve development strategies and programs, but also should deal with changes in program documents that affect the development of such territorial entities in the Republic of Kazakhstan.

The information on which this study was based includes:

– legislative acts as well as regulatory and legal documents of the Republic of Kazakhstan state support for the development of monotowns;

– data on the socio-economic status of monotowns and support measures that are being implemented by the relevant ministries of the Republic of Kazakhstan;

– statistical data on the socio-economic situation in monotowns.

### **Role of monotowns in the socio-economic development of the Republic of Kazakhstan**

Monotowns of the Republic of Kazakhstan differ greatly in terms of their population and economy. Out of the 27 monotowns in question, 1% of the population of the country is exceeded by only 1 (Temirtau), 1% of the industrial output is exceeded by 7 (Khromtau, Kulsary, Aksai, Balkhash, Rudny, Aksu, Ekibastuz), and 1% of direct investments in fixed assets is exceeded by 2 (Kulsary, Ekibastuz). The proportion of monotowns in the country's gross output of agricultural products and services (retail) is insignificant and at less than 1% [23].

Most inhabitants of monotowns live in places located in the southern, eastern and central regions of the Republic of Kazakhstan (the South Kazakhstan, Almaty, East Kazakhstan and Karaganda Regions); although the central and northern regions (the Karaganda and Kostanay Regions) dominate in terms of the total number of monotowns.

The largest share in the country's industrial output is produced by the monotowns that are located in new oil and gas fields in the west of Kazakhstan (Kulsary (23.76%), Aksai (7.97%)).

In Khromtau (which produces 1.04% of the country's total industrial production), all of Kazakhstan chrome ore is mined, which accounts for 95% of the chrome ore produced by CIS countries.

The JSC “Sokolovsko-Sarbaiskoe Mining and Enrichment Enterprise” (mining of iron ore), located in Rudny, plays a significant role in the economy of the Kostanay Region. The enterprise's share in the country's total industrial production is 1.28%.

In Zhitikara, there is the only asbestos plant in all of Kazakhstan, the JSC “Kostanay Minerals”. This plant is engaged in extraction and enrichment of chrysotile-asbestos ore and production of commercial asbestos (this represents 0.115% of the country’s total industrial output).

It should be noted that most monotowns specialize in the mining, metallurgical, coal and oil and gas sectors.

In general, the important role played by monotowns in furthering the country’s economic development is reflected in the following policy documents:

– The Concept of Regional Policy of the Republic of Kazakhstan for 2002–2006 reports that monotowns account for approximately 23% of the urban population of the country. Small towns dominated by the mining industry are home for 7.5% of the urban population of Kazakhstan, whilst towns with agro-industrial enterprises — have just 6.1%, towns with manufacturing sector — have 5.6%, those with recreational significance — 1%, industrial military centers — have 0.8% and key transport hubs — have 1.9%<sup>1</sup> of the total urban population of the country.

– In the Small Towns Development Program for 2004–2006, approved by the Resolution of the Government of the Republic of Kazakhstan on December 31, 2003 No. 1389, the total population of small towns in 2002 is reported to be 1.4 million people, and the volume of industrial production per in small towns —oil, gas and metal ore production centers (Aksai, Aksu, Karazhal, Khromtau, Zyryanovsk, Kulsary)<sup>2</sup> is said to exceed the average in Kazakhstan

– The Monotowns Development Program for 2012–2020, that was approved by the Resolution of the Government of the Republic of Kazakhstan dated May 25, 2012 No. 683, states that monotowns are home to some 1.53 million people or 16.8% of the country’s urban population<sup>3</sup>.

An analysis of the dynamics of population change in Kazakhstan monotowns show a gradual population decline in 2009 in comparison with 1999 (amounting to a decrease of 1.3%). The decrease in the population from 2000–2009 was mainly caused by a high migration outflow arising out of a high unemployment rate (due to the closure of town-forming enterprises) and a low self-employment rate with low public-sector incomes, and unmet aspirations of many young people motivating them to leave in order to obtain third-level educations. A long-term unemployment rate of 60 to 80% (“long term” in this case means being unemployed for more than a year) meant that many people either did not have a job and/or had lost their ability to use their work qualifications.

Because many working age people left monotowns, there was a trend of rapid aging of the population (thus the share of older age groups in some monotowns reached 18–20%).

Since 2011, there has been an increase in the population of monotowns (the population growth rate was 2.1% in 2011 as compared to 2009, and the population growth rate reached 7.3% in 2016 as compared to 2011). This increased population growth rate is due to a number of factors including the fact that many Kazakhs, who were living abroad, decided to return to their historical homeland. Among other factors are increased birth rate and the revival of industrial production in monotowns.

However, as a result of recent economic reforms in Kazakhstan, the potential of most monotowns has been significantly undermined, and a severe, often critical economic situation has emerged. An important characteristic of monotowns is their well-established single-sector orientation in industrial production and their multi-functional development in the field of science and scientific services, transport services [24].

Monotowns located in mining areas have tended to develop according to the life cycle of their mineral deposits, and they are greatly affected by fluctuations in the world market price of minerals.

A number of monotowns with town-forming enterprises in the mining sector have seen their situation worsen significantly due to drastic reduction in production owing to depletion of their mineral resources, changes in market conditions and a reduced demand for their products, e.g., in Arkalyk

<sup>1</sup> Resolution of the Government of the Republic of Kazakhstan dated December 7, 2001 N 1598 “On Concept of regional policy of the Republic of Kazakhstan in 2002–2006” [electronic source]. URL: [http://kazakhstan.news-city.info/docs/sistemsq/dok\\_ieqbbz/index.htm](http://kazakhstan.news-city.info/docs/sistemsq/dok_ieqbbz/index.htm) (last retrieved on 23.02.2017).

<sup>2</sup> Resolution of the Government of the Republic of Kazakhstan dated 31.12.2003 N<sup>o</sup> 1389 “On approval of Small Towns Development Program for 2004–2006” [electronic source]. URL: [http://kazakhstan.news-city.info/docs/sistemsq/dok\\_ieqbbz/index.htm](http://kazakhstan.news-city.info/docs/sistemsq/dok_ieqbbz/index.htm) (last retrieved on 23.02.2017).

<sup>3</sup> Resolution of the Government of the Republic of Kazakhstan dated 25.05.2012 “On approval of Monotowns Development Program for 2012–2020” [electronic source]. URL: [kdbl.kz/sites...programma\\_razvitiya\\_monogorodov.doc](http://kdbl.kz/sites...programma_razvitiya_monogorodov.doc) (last retrieved on 23.02.2017).

(depletion of bauxite reserves), in Tekeli (low content of non-ferrous metals in ore) and in Zhitikara (decrease in demand for asbestos).

Many processing enterprises in monotowns have been rendered idle due to the low competitiveness of their products, the lack of worldwide demand, remoteness from their key markets or and high transportation tariffs (for example, in Serebryansk town). This situation was aggravated by outdated and inefficient equipment and the loss of skilled staff as a result of migration.

In certain monotowns, industrial production has been completely closed down — these monotowns include Zhanatas (with 0.011% of industrial production in the country), Karatau (with 0.035%) and Serebryansk (with 0.189%).

A survey of the development of monotowns in the Republic of Kazakhstan shows that there are negative trends in the development of many of these territorial entities. One can readily identify problems related to a shutdown or a threat of a shutdown of the main town-forming enterprises, their uneven operation, the depletion of ore deposits of mining enterprises, the low degree of economic diversification, remoteness from main economic centers and an underdeveloped transport infrastructure.

### **Evolution of instruments for state support of monotowns**

Small towns first became the objects of the urban policy of Kazakhstan in the Resolution of the Government of the Republic of Kazakhstan dated December 7, 2001 No. 1598 “On the Concept of Regional Policy of the Republic of Kazakhstan for 2002–2006”. In this initial program, the criteria and corresponding threshold values for classifying small towns as “depressed” were established. The final list of depressed towns included a number of small towns of district and regional importance, which differed significantly in terms of resource potential, demographic situation, socio-economic indicators, but had population of up to 50,000 people. These criteria were subsequently used in the Small Towns Development Program for 2004–2006. This program was the first policy document aimed at the development of the studied territorial entities.

In 2012, the Monotowns Development Program for 2012–2020 was approved by the Resolution of the Government of the Republic of Kazakhstan dated May 25, 2012 No. 683. This Program was part of the overall regional policy of the state. Its implementation was supposed to be carried out in two stages: firstly, a pilot stage — in 2012 and, secondly, a main stage — in 2013–2020 (the initial period — 2013–2014 and finally, a period of stable growth — lasting until 2020).

The program included monotowns in which, after the collapse of the USSR, there still was some industrial potential, and where it was planned to invest EUR 675.5 million in their development up to 2015. The list included only 27 monotowns, even though, according to the Ministry of Economic Development and Trade of the Republic of Kazakhstan, there were in fact 41 small towns in the country. It should be noted that neither of the monotowns of the Kyzylorda and North Kazakhstan Regions were included in the list, nor were another 19 towns, those primarily being engaged in processing agricultural products.

Inadequate approaches taken in identifying the criteria for classifying a settlement as a monotown has led towns that differed fundamentally from each other in terms of population size, economic potential and accumulated problems being placed in the same group. For example, towns such as Temirtau, which has a large metallurgical plant was put in the same group as Karazhal, which town properly belongs in the category of depressed towns.

The instruments of state support for monotowns were reflected in the Resolution of the Government of the Republic of Kazakhstan dated November 15, 2012 No. 1449 “On Some Issues of Implementing Monotowns Development Program for 2012–2020”. Thus, the Monotowns Development Program for 2012–2020 contains instruments providing for subsidies of the interest rate on loans/leasing transactions given to banks/leasing companies offering loans/leases to private business entities, as well as containing mechanisms for supporting the development of manufacturing (industrial) infrastructure and provisions for state grants for the creation of new industrial facilities<sup>4</sup>.

Thus, the stimulation of small and medium-sized businesses in monotowns was intended to be carried out via state support in the form of subsidized interest rates on loans under 10 percent, the

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<sup>4</sup> Resolution of the Government of the Republic of Kazakhstan dated November 15, 2012 N 1449 “On Some Issues of Implementing Monotowns Development Program for 2012–2020” [electronic source]. URL: <https://www.enbek.kz/ru/node/96> (last retrieved on 25.02.2017).

facilitation of micro-credits, and making grants up to three million tenge for the creation of new facilities.

Cooperation agreements were signed within the Monotowns Development Program for 2012–2020 with the participation of the Ministry of Regional Development of Kazakhstan, JSC “Entrepreneurship Development Fund Damu”, along with representatives of 10 regional aimaks, heads of 17 second-tier banks and 10 leasing companies.

In 2015, in accordance with the introduction of changes to the Resolution of the Government of the Republic of Kazakhstan of June 28, 2014 No. 728 “On Approval of the Program for the Development of Regions until 2020”, this program was abolished.

In the context of strategic planning for monotowns, attention should be paid to Complex Plans for the Development of Monotowns for 2013–2015, agreed at the meetings of the Interdepartmental Commission for Regional Policy. In 2015, the Government of the Republic of Kazakhstan approved integrated plans for the development of monotowns for the years 2015–2017, the main goal of which is to encourage the sustainable development of monotowns, their integration into regional and national development, and improvement of the public living standards. Plans are to be implemented in three main areas: the branding of monotowns (with identification of their economic potential and new promising specializations), diversification of the economy and the development of small and medium-sized businesses, including the development of new engineering infrastructure.

The current program that lists goals and sets out mechanisms of state policy on the development of monotowns is the Program for the Development of Regions until 2020, approved by the Resolution of the Government of the Republic of Kazakhstan dated June 28, 2014 No. 728. This program contains the Affordable Housing — 2020, the Program of Housing and Communal Services Modernization for 2011–2020, Ak Bulak, the Monotowns Development Program for 2012–2020 and the Regional Development Program.

In the Program for the Development of Regions until 2020, settlements are divided into the following categories: “first-tier” cities (agglomerations); towns of the “second tier” (regional centers, the cities of Semey and Turkestan); towns of the “third level” (small and monotowns) and rural areas, including the core rural settlements (hereinafter referred to as “the CRS”) and border territories<sup>5</sup>.

In this program, in order to diversify the economy of monotowns, the implementation of “anchor” projects will continue. In this regard, local authorities are instructed to focus their efforts on searching for domestic and foreign investors who are ready to invest in the creation of facilities in priority economic sectors not only in Kazakhstan, but also in other countries participating in the Eurasian Economic Union.

In monotowns, within the framework of Regional Development Program, as stated in the previous program document, it is planned to allocate auxiliary and serving industries created by the town-forming enterprises; to allocate procurements in small towns and monotowns, taking into account their specific needs and to restore the former specializations in small towns and monotowns by attracting strategic investors to modernize the existing or create new specializations.

At the same time, legal entities implementing investment in strategic projects in small towns and monotowns with low and medium potential will be granted special production-related benefits including refunds or part-payment of their costs for gas, electricity, land acquisition and acquisition, or the construction of buildings and structures.

This program provides for the identification of promising mineral deposits with the participation of the JSC “NK Kazgeologiya” or private investors interested in expanding the mineral wealth of enterprises and developing the transit potential of monotowns.

As for infrastructure projects, they will be financed with a view to enhancing the economic prospects of monotowns in the long run. Measures to repair inner town roads, municipal services and improvement of settlements, will be financed through targeted transfers from the Republican budget.

A number of other policy documents should be noted, which also contain mechanisms to support the development of monotowns. Thus, at present, micro-credit, grants and other instruments of state support are included in the program “Road Map of Business — 2020”, approved by the Resolution of the Government of the Republic of Kazakhstan dated March 31, 2014. The goal of this program is to ensure the sustainable and balanced growth of regional entrepreneurship in various non-resource sectors of

<sup>5</sup> Program of development of regions till 2020, approved by the Resolution of the Government of the Republic of Kazakhstan dated June 28, 2014 N 728 URL: <https://www.enbek.kz/ru/node/96> (last retrieved on 22.02.2017).

the economy, as well as maintaining existing and creating new permanent jobs. The program is implemented in three directions:

- to give support for new business initiatives (government support consists of subsidizing part of the interest rate on bank loans for implementation of projects; partial guarantees on bank loans for implementation of projects; developing manufacturing (industrial) infrastructure; service support for business; staff training; youth practice; organization of social jobs);
- to make improvements in the business sector (subsidizing debtors part of the interest rate on the existing bank loans (granted as at the time of approval of the loan) and for new liabilities (lying within the same credit line that arises after approval of the project); granting a grace period for repayment of tax debts to the budget without accrual of any penalties (with the sole exception of penalties for individual income taxes that have been withheld at the source of payment);
- provide increased financial support for export-oriented industries<sup>6</sup>.

In 2015, Kazakhstan approved the State Program of Industrial and Innovative Development for 2015–2019, which assumed the support by the state of promising economic niches, including such niches existing in monotowns. The aim of the second stage of industrialization is to stimulate diversification and increase the competitiveness of the manufacturing industry. The program was developed jointly with business structures and applies to all regions of the country.

As a result of this program, 14 priority sectors with the highest development potential in 6 different industries were identified. The second group of priorities is composed of innovations that will allow the economy to overcome the technological disadvantages faced by many monotowns by encouraging new mobile and multimedia technologies, revolutionary nano- and space technologies, and new industries in robotics, genetic engineering and to promote the search for energy of the future<sup>7</sup>.

Another new tool that was deployed in the program to support the development of monotowns in order to reduce the high levels of unemployment and emigration is the Program “Productive Employment and Mass Entrepreneurship for 2017–2025” (Approved by the Resolution of the Government of the Republic of Kazakhstan dated December 29, 2016 No. 919). The main objectives of this program are:

- keeping jobs in place (by subsidizing existing jobs, grants for training);
- creation of new jobs in monotowns (through state investments, micro-credits, assisting territorial mobility and the stimulation of new employment);
- expansion of existing places of employment in those places (using state support for job creation in the service sector along with funds for vocational training and for re-training of target population groups).

By fulfilling the tasks set in the program, by 2021 it is planned that the unemployment rate should not exceed 4.8%; the share of labor resources with basic, secondary, general and primary education should not exceed 20%; the share of non-productive workers in the self-employed individuals should not exceed 10%, and that the growth rate of actively operating small and medium-sized businesses in monotowns should reach 10%<sup>8</sup>.

Within the framework of the program “Road Map of Employment 2020” approved by the Resolution of the Government of the Republic of Kazakhstan dated March 31, 2015 No. 162, there are mechanisms for the re-settlement of the population from labor-surplus regions to regions with labor shortages, the measures including funding for housing, dormitories for working youth and relocation expenses. Thus, for example, in December 2015, thirty (30) families were moved from the South Kazakhstan, Almaty, Kyzylorda, and Zhambyl Regions to the Ridder monotown located in the East Kazakhstan Region.

The program also contains other measures to assist resettlement of the population, including for *oralmans* (repatriates) to the regions determined by the Government of the Republic of Kazakhstan with the provision of a social package (compensation for relocation costs, provision of housing or places in hostels, employment, microcredits).

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<sup>6</sup> Program “Road map of business-2020”, approved by the Resolution of the Government of the Republic of Kazakhstan dated 31.03.2014 (as amended) [electronic source]. URL: <https://http://www.damu.kz/3146> (last retrieved on 26.02.2017).

<sup>7</sup> State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2015–2019, approved by Order of the President of the Republic of Kazakhstan dated 01.08.2014 [electronic source]. URL: <https://www.enbek.kz/ru/node/96> (last retrieved on 22.02.2017).

<sup>8</sup> Program “Productive Employment and Mass Entrepreneurship for 2017–2025” approved by the Resolution of the Government of the Republic of Kazakhstan dated December 29, 2016 N 919 [electronic source]. URL: <https://www.enbek.kz/ru/node/96> (last retrieved on 22.02.2017).

In order to help solve the housing problem that exists in many monotowns, a set of measures was introduced in the state program “Nurlyager”, as approved by the Resolution of the Government of the Republic of Kazakhstan dated December 29, 2016 No. 919<sup>9</sup>.

The main emphasis of this program is to support the construction of new housing by encouraging construction companies. Amongst the various stimulus measures introduced, banks will be provided with funds to “democratize” or lower the mortgage rate, so as to stimulate an increased demand for mortgage-credit housing. At the same time, the construction of new housing will gradually cease to be directly financed by the government.

Thus, in 2017, new tools will be actively used to support the development of monotowns in order to provide a targeted choice of management decisions and economic management methods aimed at achieving a balance between the use of resources in monotowns, maximizing the satisfaction of the public needs of the population and improving living standards.

### **Effectiveness of program documents for monotowns**

A detailed consideration of the program documents that aimed at supporting monotowns showed that there is a certain continuity in development programs that has preserved negative aspects and included evolutionary tendencies.

An analysis of the effectiveness of the Monotowns Development Program for 2012–2020 demonstrates that the proposed mechanisms did not in fact achieve many of their objectives nor did they significantly improve the socio-economic situation of most monotowns. Thus, it can be observed that in 2015, in 12 monotowns (Arkalyk, Zhanatas, Kurchatov, Zyryanovsk, Serebryansk, Stepnogorsk, Balkhash, Saran, Temirtau, Aksu, Jitikara and Karatau), the output of industrial production actually declined by 30–40% as compared to the respective levels in 2011, with the number of active small and medium-sized businesses having also decreased. Factually, the key program indicators in these monotowns have not been achieved.

As it was originally intended, a program of creating anchor projects would be implemented in all monotowns (encouraging large-scale production, where up to 100 jobs would be created), while at the same time it was hoped that national companies would create auxiliary facilities and restore former specializations in these monotowns. However, this goal of the program has not been implemented in full as well.

For example, in Kurchatov, by 2015, it was expected that there would be an increase of 20% (as compared to 2011) in industrial production as compared to the level of 2011, with this increase being achieved mainly through “anchor” investment projects. In 2015, however, the level of industrial production was by 48.8% below the 2011 level. The main reason for this decline was the cessation of works on the reclamation of the lands of the Semipalatinsk nuclear test site, at that time being carried out under an international contract with the United States.

The “anchor” projects in Serebryansk (Serebryansk Factory of Inorganic Production), in Zyryanovsk (the project on the construction of the ski resort), and in Ridder (the production of building materials) have not been implemented [23].

Compared with the level of 2011, there has been a sharp decrease in investment in fixed assets in 6 monotowns (Khromtau, Aksay, Temirtau, Zhitikara, Aksu, and Kurchatov). In essence, the allocated budget funds were instead directed towards the development of housing and communal services and used for improvement of the infrastructure of those monotowns.

There have also been problems of the underutilization of budget funds by certain monotowns. For example, in more than the two years of operation of the Monotowns Development Program, Ekibastuz has been allocated more than 1 billion tenge, including 558 million tenge for 2013. In 2013, only 50 projects amounting to some 153 million tenge worth of investment were at the stage of state expertise and public procurement; therefore, these projects could not possibly have been implemented within the following year. A separate problem that arose was related to tendering, this being a mechanism for transferring financing from regions to towns. In most cases, the required funds either arrived late, or were not provided in full.

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<sup>9</sup> Program “Nurlyager”, approved by the Resolution of the Government of the Republic of Kazakhstan dated December 29, 2016 № 919 [electronic source]. URL: <https://www.enbek.kz/ru/node/96> (last retrieved on 22.02.2017).



As a result of the monitoring of the current program, the main factors that negatively affect the implementation of this program document were identified:

- the lack of a detailed methodology for assessing the effectiveness of programs at the stage of their development;
- the lack of quantitative and qualitative indicators for the implementation of particular measures, which made it impossible to assess the progress of the program;
- an overly narrow focus on the use of budgetary funds, rather than concentrating on achieving concrete results;
- a low level of accountability for those directly responsible for the implementation of the programs.

At the same time, it appears that both in the Monotowns Development Program and in the Regional Development Program, problems have arisen in connection with the identification of the expected results (indicators). For example, a target indicator, such as “Population size”, was set only for agglomerations. However, all monotowns demonstrate a critical level of aging population, which can only be improved by increasing the population.

It is now planned to allocate 2,206,722 million tenge for the implementation of the Program for the Development of Regions until 2020 from the budgets of various levels (in the course of implementing the program, the amounts will be specified). However, this document fails to specify what social and economic effects are expected to be achieved. Although, the social effect can be identified using target indicators set out in the Program, e.g. “the share of modernized networks, including heat, electricity and gas supply”, these target indicators do not sufficiently clearly describe the anticipated social effects (on the unemployment rate, the number of created jobs, the income level of the population, and on the percentage of aging population).

In addition, the program documents do not provide for activities that promote the development of industrial cooperation, even for monotowns that are located in the border areas. The database of existing enterprises engaged in production of goods in priority sectors of the economy has not yet been created, which database would be highly relevant for border monotowns. No incentive mechanisms have been developed in the current program, either at national level or supranational level, in connection with development of industrial cooperation and attraction of investments. There are no examples of the program having created a joint infrastructure for the development of entrepreneurship, and there is no system in the program for involvement in the production chain of small and medium businesses making sensitive products.

In the target indicators characterizing the economic effect, none evaluate the effectiveness of using budget funds, level of industrial cooperation and level of innovation activity.

## **Conclusion**

In light of the results of this study, the following conclusions can be made:

- a monotown is a targeted and multi-purpose social and economic system with many heterogeneous internal and external goals, independent sub-objectives of individual subsystems and a system of indicators for measuring goals, various strategies for achieving them. Monotowns play an extremely important role in the national economy and in the system of countrywide settlement; yet they often develop in an extremely unevenly and inconsistent manner and are often characterized by having a weak diversification of their economy and having a strong dependence on town-forming enterprises (which are mainly enterprises in the mining sector);
- the main factors operating in the system of monotowns under consideration are: the resource potential of the town (in labor, natural, industrial and financial resources) and other economic resources that may be attracted to the town (usually in the form of investments and centralized capital investments). Monotowns in Kazakhstan are characterized by similar problems as monotowns located in other former Soviet countries (which problems include the rapid depletion of raw materials, a high unemployment rate, aging of the population, very low median incomes, being a long distance from their main markets, having an unsatisfactory condition of engineering and social infrastructure and having poor environmental situations);
- an evaluation and diagnosis of the main government program documents aimed at supporting monotowns reveals that there is a certain continuity in the development programs that both has pre-

served the negative aspects and includes evolutionary tendencies. However, the positive aspects of certain monotowns have not been able to reverse the general negative situation nor has it ensured that there will be a steady positive dynamics in their development. These problems are due to factors such as the lack of a detailed methodology for assessing the effectiveness of programs at different stages of their development; the lack of quantitative and qualitative indicators for the implementation of particular measures, which means there are no effective means for assessment of the progress of the particular program; an overly narrow focus on the use of budgetary funds, rather than on achieving concrete results from their expenditure and a low level of accountability for those directly responsible for the implementation of programs.

In order to improve the existing program documents aimed at supporting the development of monotowns, it is imperative that one can identify the key target indicators that characterize the social effectiveness of a particular program (for example, the effect a program initiative has on the factors like the unemployment rate, the number of jobs created, the median level of incomes of the population, and the percentage of the aging population). It is also proposed that these programs should include systems of quality indicators that regularly measure the economic effectiveness of a program during its lifetime, for example, the effectiveness of using budget funds, the level of industrial cooperation and the level of innovation in each monotown.

In view of the large number of policy documents and the wide range of issues to be considered, significant further study is required in order to identify and recommend effective methods for assessing and implementing state support measures on the development of monotowns and to rationalize the criteria for effectiveness of government programs.

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