

## Ways of investment climate improvement in the sphere of construction of affordable housing in the Republic of Kazakhstan

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**Abstract:** In the article questions of investment process stimulation in house construction of the Republic of Kazakhstan were considered. The condition of house construction investment systems ensuring level of Kazakhstan was analyzed. Recommendations about improvement of investment climate in the sphere of construction of affordable housing in the Republic of Kazakhstan were made.

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### 1. Introduction

Now, Kazakhstan endures the period when it is necessary to develop effective affordable housing model construction. Its main criteria are: providing a compromise between socially oriented tasks of the state housing program and market-oriented motivation of house construction participants, transition to mainly internal sources of investment, use of new forms of state-private partnership, increase of construction speed and availability of housing.

Now, the extremely actual is problems of improvement of forms and methods of the state investment support of house construction of affordable housing. In economic researches questions of scientific justification of "measure", staging and duration of this support aren't developed. Urgent practical need on new approach to questions of state-private cooperation is felt, at realization of various directions of the "Affordable Housing - 2020 program".

The system which has developed in the Republic of Kazakhstan of construction of affordable housing investment support, constantly reproduces system contradictions, in house construction sector, and the related financial risks.

Research of the called aspects of house construction, allowed to nominate a number of the significant practical recommendations submitted on formation socially – the focused system of its investment providing, elimination and minimization of a number of financial risks, creation of necessary conditions of realization of macroeconomic efficiency of house construction.

### 2. Material and Methods

Various theoretical and applied aspects of an investment perspective are investigated by scientists

of many countries. In foreign countries, theoretical bases of investment processes were investigated in the works Courvisanos, J. [1], Keynes, J.M. [2] Richardson, G. [3] and etc.

Theoretical and methodological basis of research of investment processes in house construction of Kazakhstan, researches on the economic theory, the theory of management as social and economic processes, construction and finance, and also works of domestic and foreign scientists, concerning investment ensuring house construction of affordable housing served, to formation of competitive advantages of construction branch. Also, as a theoretical basis of this research, designated in strategy "Kazakhstan - 2050" methodological approaches are used, to development of new economic policy and new social model of development of the Kazakhstan society.

As methodical base of research methods of the system, functional and statistical analysis are used.

In the section of this research, the author doesn't apply, for the solution of all complex of the most difficult problems, increases of investment appeal of housing sector of the Kazakhstan economy. For this purpose joint efforts of many scientists, experts, heads and operators of housing programs are required. Time and patience for improvement of used instruments of the state support of house construction, elaboration of new approaches to formation of socially oriented model of construction of affordable housing is required.

Our task to eliminate in operating system of investment providing house construction sector, a number of "barriers" which interfere with the solution of social problems of the state in the sphere of construction of affordable housing.

Thus, we proceed from that situation that at this stage of the problem of affordable housing

solution, it is necessary to strengthen much an organizing role of the state, on regulation of all parties of house construction. This regulation has to be provided with balanced use of economic and administrative methods of impact on construction of affordable housing processes. Real condition of house construction for today, level of the saved-up pre-crisis problems, and at the same time, need of essential acceleration of its development, in the light of the solution of problems of social modernization of the Kazakhstan society, press for elimination of system contradictions in investment process of construction sector.

As we noted above, in this work, the main attention is paid to research of the investment aspects connected with construction of affordable housing. That is, with volumes and rates of formation of its offer. At a meeting with Council of businessmen of Kazakhstan (April, 2013), N.A. Nazarbayev, set the task to develop the potential of internal investments.

In this work the task of the comprehensive analysis of all circle of questions isn't set, increases of availability of housing, from demand. It is a subject of separate independent research.

Yes, it is too closely interconnected spheres of one social and economic process. But each of them has the distinctive features and own economic contents. We will concern questions, to some extent, connected with various aspects of formation of demand for housing as it is necessary for the analysis of investment processes.

As showed the moved analysis of domestic practice of construction of affordable housing, a problem of activation of investment process, moved to the forefront during implementation of the Affordable housing-2020 program.

In our opinion, their successful decision is impossible without elimination of base of formation, system contradictions, in house construction of the Republic of Kazakhstan. The main thing from them - lack of rather effective system, providing an acceptable compromise of a market and social component of house construction of affordable housing.

Without forming of such system, it isn't possible to provide a compromise between social orientation of construction of affordable housing and market motivation of private construction companies.

Problem of improvement of investment climate in construction of affordable housing, it is necessary to consider from several parties.

First, to consider economic and administrative factors which in the set, form a steady trend of rise in price of again under construction affordable housing.

It is possible to carry to the called factors:

- high cost of credit resources;

- lack of the preferential taxation for construction companies;
- high tariffs for infrastructure expenses (electric power, water, development and approval of the project and so on);
- high expenses connected with allocation of land under new building;
- low efficiency it is state - private partnership, in the sphere of infrastructure ensuring house construction;
- lack of effective instruments of state regulation of price indicators of commercial house construction. Including, lack of effective system of stimulation of decrease in costs for house construction;
- restrictions in development of new Construction Norms and Regulations, Euro cods and other standards;
- insufficient level of insurance of investment risks of construction companies;
- imperfection of tender practice on building of social objects;
- tightening of procedures with the approval of the Kazakhstan state standard specifications on new construction materials;
- inflationary rise in price of some construction materials;
- administrative barriers on a way of creation of new construction companies;
- lack of mechanisms of write-off of part of accounts payable of the construction companies connected with inflationary processes and the crisis phenomena in world economy. Or possibility of its prolongation for 8-10 years.

These factors lie as though out of the construction organizations and in relation to them, they act as objective reality with which it is necessary to reckon. On the contrary, this reality forms marketing and investment policy of the company, considerably it (reality) sets price parameters of projected housing, level of profitability and sufficient profitability of construction production.

The period in practice of house construction when the state tried "to oblige" construction companies to build an administrative way cheap housing is known, without having eliminated the above-named reasons. Such approach, can lead to an unreasonable rearrangement of the called costs for construction companies, or on the state. Eventually, it leads to inefficient use both state, and private investments, and also to delay of implementation of social programs for construction of affordable housing.

Secondly, it is possible to allocate group of the factors influencing a solution of the problem of

stimulation of house construction which are formed (or aren't formed) in local economic and legal space, actually the most construction company.

It is possible to carry to them:

- aspiration to use high-performance technologies;
- application of cheaper modern construction materials, including composite, ready prefabricated elements and so on;
- continuous increase of professional level of the personnel;
- development and use of effective system of motivation of employees;
- competent investment design of new objects;
- development and realization of measures for minimization of risks;
- effective use (or not use) existing measures of the state support of construction branch.

It should be noted that these factors can be both with the sign "plus" and with the sign "minus". Depending on that they are used or not.

It should be noted also that realization, fully, a number of the listed factors, we will tell introduction of modern construction technologies, it is impossible because of existing financial restrictions. For example, separate construction company not in power to use such high-performance technology as panel house construction.

### 3. Results

Further development of state-private partnership between participants of construction projects is extremely necessary. System approach to consideration given a problem of investment stimulation of house construction, allows drawing a preliminary conclusion, concerning its decision. Namely:

To development of optimum system of financing of construction of affordable housing, it is necessary to move synchronously from several parties.

The state institutes of development and creation of specialized Construction bank, have to neutralize the factors forming a steady trend of rise in price of construction production in an ideal. That is, to attach them positive significance.

Very important, in our opinion, that processes formation of new model of financing house construction of Kazakhstan, were synchronized in time.

As the practice shows, asymmetric approach to stimulation of construction of affordable housing, generated a number of serious practical problems. Such as excessively high prices of the bought lands, (especially in Alma-Ata) untimely leading of infrastructure, delays about the statement of new

Construction Norms and Regulations and state standard specifications, an unreasonable tightening of the questions connected with development of design and budget documentation and the beginning of financing, insufficient investment ensuring development of construction capacities etc.

It is clear that in conditions, preservations of the called barriers, the taken administrative measures, it is impossible, on long prospect to provide necessary, socially and the price range of affordable housing under construction economically accepted, today.

Preservation of the called problems, breaks the principle of synchronization of the measures directed on optimization of investment process in construction. And as a result, gives distorted "picture" of efficiency of application of these or those forms of the state support of house construction.

Without change of financial, legal and administrative base, reproduction of system contradictions, in construction of affordable housing, will proceed further. For improvement of investment climate, in the sphere of construction of affordable housing the integrated approach synchronized on time and stages of implementation is necessary.

On the basis of the saved up practical experience and the researches conducted by us, we consider it expedient to realize the following system of measures, in housing policy of Kazakhstan.

1. To accelerate development of the construction industry. First of all, construction of house-building combines.
2. To create specialized Construction bank from 100% of shares of the state participation. Its task – "cheap" financing of development of material base of the private construction companies occupied in construction of affordable housing. The international experience (Germany, the Netherlands, Singapore, the Czech Republic, Belarus and some other countries) state supports shows that without available crediting it is impossible to construct affordable (social) housing [4].
3. To include construction of affordable housing in the list of priority kinds of activity and to provide to the private construction companies, taken with construction of affordable housing, tax privileges and the preferences differentiated on regions, taking into account level of their social and economic development. We carry to them – liberation from corporate income tax, land tax, on property. To count possibility of decrease in the VAT. These privileges shouldn't be based, on the principle of the accelerated depreciation realized in operating "The law on investments". Practice confirmed perversity of such approach [5]. Such privileges already received or will

- receive the companies taken in building of objects "the EXPO - 2017".
4. To create the effective mechanism of state regulation of the prices of construction materials. Developers of the Affordable Housing - 2020 state program, the prices of again constructed housing were limited, and the prices of building materials and energy resources, and also on the earth, no. It led in 2013 to serious problems in the sphere of price control to affordable housing.
  5. Release of all construction companies, from payment of corporate income tax, on that part of profit which is reinvested in development of capacities for house construction - available and the increased comfort. By an example of the Netherlands [6].
  6. Improvement of legislative practice of regulation of procedures of share construction. Below, we will consider the matter in more detail. Here, it should be noted that existing law-enforcement practice, cardinally breaks investment process in share construction, on what S. Akhmetov specified. To accelerate reform of regulatory base of construction, regarding construction of affordable housing.
  7. To develop and realize a number of the state measures, for redistribution of financial resources, both individuals, and legal, in favor of construction of affordable housing. These measures can have single character as in Germany (single 3% land tax) or will be applied constantly as in France, at construction of social housing. In Kazakhstan the mechanism of redistribution of national wealth only started being formed [7]. First signs – a tax on luxury. As a whole, society didn't come yet to understanding of that business, it, first of all, the mechanism of effective redistribution of wealth.
  8. To prolong overdue accounts payable, the private construction companies, connected by preservation of crisis trends in house construction, for 5-8 years, with possible partial write-off of the specified debt.
  9. To simplify allowing procedures on construction.
  10. Much to increase quality of public administration by construction branch. For this purpose, in addition, it is essential to strengthen material motivation of performers and the operators responsible for implementation of these or those sections of housing programs. By an example of Singapore and the Netherlands. For today, questions of system stimulation of state-private partnership in the sphere of house construction of affordable housing, in essence aren't solved.
  11. To deepen existing differentiation of the state grants directed on increase of availability of housing, depending on level of the income. To extend it, by an example of other countries, not only to repayment and housing rent, but also to operational costs, according to the maintenance of housing stock.
  12. According to problems of strategy "Kazakhstan – 2050" to develop and realize new policy of the income. The share of credit obligations, for mortgage or rent service, shouldn't exceed 30%, from total amount of a salary. Excess has to be compensated by the state. In this or that form. It is the most important condition of formation of the competitive human capital.
  13. Further development of system of house construction accumulation, in the direction of reduction of an effective interest rate by the given-out housing credits. The social purposes have to be a priority for activity of the state financial institutions. As it was noted above, realization of the budgetary efficiency of house construction is provided at macro level. For example, in nine months 2013, by calculations of the Ministry of Economics and budget planning, GDP growth for the specified period, for 5,7%, was substantially provided with house farms. Initiated by house farms, steadily great consumer demand (it increased for 7,5%), for 70% provided GDP growth of Kazakhstan [8]. It is clear that the effect of the animator generated by house construction, below the given values, but it is rather significant.
  14. Widespread introduction of rotational model of distribution of affordable housing. Its elements I started introducing JSC IO Kazakhstani mortgage company. On its conditions if the tenant on what - that to the reason wants to move to the big or smaller apartment, he can ask to replace to him this living space [9].
  15. For the purpose of the account, existing structure of solvent demand, for affordable housing, in our opinion, it is necessary to introduce a multilevel sentence structure of affordable housing. By an example of other countries. Implementation of this offer, will allow to provide a certain redistribution of costs for construction of affordable housing, in favor of less provided segments of the population [10].

#### 4. Discussions

In our opinion, as a whole the realization, the specified recommendations, has to make positive impact on the following parameters of investment process, in the sphere of construction of affordable housing:

- to increase profitability of investment expenses

- budgetary and private, used on construction of affordable housing and by that will eliminate a reproduction basis, system contradictions of house construction. It will allow to provide a compromise socially and is market the focused processes of house construction of affordable housing;
- will increase balance of use of housing accumulation of the population and accumulation of construction capacities;
- will increase the budgetary efficiency of the state financial resources sent to construction of affordable housing,
- will create necessary conditions for "start" in full, growth function of house construction;
- will promote elimination of interregional disproportions in speed of construction of housing;
- will accelerate a circulation of financial assets of construction companies;
- will make stimulating impact on attraction in house construction of internal investments;
- Complex realization of recommended measures, in our opinion, also will allow to accelerate neutralization of crisis trends in house construction.

Violation of the principle of synchronization of the measures directed on optimization of investment process in construction, gives distorted "picture", efficiency of application of these or those forms of the state support of house construction.

There is a question of social expediency, such profitability of the state financial institution. It is possible to bring and other facts of discredit of these or those forms of the state support of construction of affordable housing. But it doesn't mean that they aren't effective. It is necessary patiently and consistently, to eliminate defects, in practice of their use.

The saved up practical experience of the reforming, existing model of house construction and the strategic indicators of its development designated in Strategy "Kazakhstan – 2050", unambiguously specify the main vector orientation of its further development. This taking measures to optimization of interaction of all its key elements: improvement of quality of public administration, attraction opportunities for the private construction organizations, cheap borrowed funds through special Construction banks, developments of instruments of increase of cumulative solvent demand for housing, a funding mechanism and stimulation of development of

production of the Kazakhstan construction materials, measures of the state support, tax and budgetary policy and so on.

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