

MAIN IMPLEMENTATION DIRECTIONS OF AGRARIAN POLICY IN THE REPUBLIC OF KAZAKHSTAN

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ABSTRACT

There has been a consideration of topical issues and priorities for the implementation of the agrarian policy in Kazakhstan, also there have been identified main priority areas of state support for the agrarian sector in Kazakhstan, and there have been revealed the primary principles for the implementation of the agrarian policy. There has been researching problems in the sustainable development of the agrarian sector of Kazakhstan and ways to solve them in the framework of the implementation of government programs in the field of supporting the agro-industrial complex. The article analyzes the main methods and forms of state regulation of the agrarian sector, where special attention is paid to issues of state subsidies and lending to AIC entities, as well as actual issues of the development of agricultural sectors in Kazakhstan. There has been an analysis of the dynamics of prices for socially significant food products at a given time. Also, issues of employment policy in the agrarian sector of Kazakhstan are considered, several measures of state support for employment in agriculture are studied, and topical issues of the agrarian labor market are highlighted. The main directions for solving the problems of the labor market in the agrarian sector were identified, in particular, as part of the implementation of the Program for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021. The main focus of the study is on the study of the main directions in the implementation of agricultural policy, the urgent problems of sustainable development of the agricultural sector.

Keywords: Agrarian Policy, Agrarian Sector, State Support, Agriculture, Government Regulation, AIC, Lending, Employment.

INTRODUCTION

Kazakhstan's agro-industrial complex has crucial importance in its economy. One of the problems of sustainable development of agriculture in Kazakhstan is the ongoing migration of the rural population to cities, growth due to rural areas and the "loss" of active social life and business activity from small rural areas, the outflow of rural youth to cities and regional centers.

Currently, the socio-economic conditions for solving the aforementioned and other problems of the development of the agro-industrial complex is the development of agricultural cooperatives, agricultural units, further state support for the agro-industrial complex sectors, which are necessary and important conditions for improving the quality and standard of living of rural residents (Jussibaliyeva et al., 2019). In general, the state plays the main part in the regulation of agriculture and the agrarian sector. The experience of countries with advanced agriculture shows that state policy in the field of AIC is a fundamental factor for agricultural development. Supporting efficient industries producing competitive products, the establishment of general economic conditions for the stabilization of production agricultural products that provide the necessary level of food security of the country builds the state agrarian policy. The main goals of state regulation of agro-industrial productions are the stabilization and expansion of this production, ensuring the security of the food in the territory of Kazakhstan, enhancement of food provided to the whole population, maintaining the economic partnership between agriculture and other areas of the national economy, rapprochement of commodity producers in the field of agro-industrial production. The article presents such sections as materials and research methods, research results. The study is based on comparison of the agro-industrial complex development in different countries.

LITERATURE REVIEW

A review of the scientific literature will allow us to carefully study the given issue. The analysis of foreign experience in the development of rural economy and implementation of successful agrarian policy showed that in order to ensure sustainable development of the agro-industrial complex and the development of national competitive advantages of domestic products, it is necessary to explore in more detail the positive trends of foreign experience in a number of countries that can be used in the implementation of our state's agrarian policy. It is advisable to consider the agrarian policy in the context of the implementation of the economic policy of the state, the agrarian development of its regions, as well as taking into account the prevalent economic and demographic trends (Jussibaliyeva, 2016). A fundamental contribution to the theory of entrepreneurship was made by (Dzhusibaliyeva & Mursalova, 2017; Doshmanli et al., 2018). Among the domestic researchers considering the problems of small and medium-sized business development, one can single out (Kahramano & Kulak, 2019; Salamzade, 2020). However, giving due to the achieved results, one can single out a number of insufficiently worked out issues of formation, use of the potential of small and medium-sized businesses, as well as the development of methods and forms of state support for its development. The problems of the small and medium-sized enterprises functioning are studied in various publications. Polinkevich (2016) argues that the main factors of the enterprises' advanced development are *“the level of educational training, technological development, the level of organizational culture, innovative activity of the enterprise”*. However, the impact of these factors on SMEs role increase in economic development should also be examined. According to Kuzmisiin & Kuzmisiinova (2016), *“SMEs with a unique niche at different stages of production or with different service tasks could become a driving force for one country to participate more in common value chains”*. The same conclusions were obtained by Benini (2016). However, there is still an open question about the reasons for the SMEs role increase in the global movement of value. In the state regulation of the agricultural sector of the country, forecasting, planning, as well as the introduction of innovations and achievements of scientific and technological progress in agricultural production are of great macroeconomic importance.

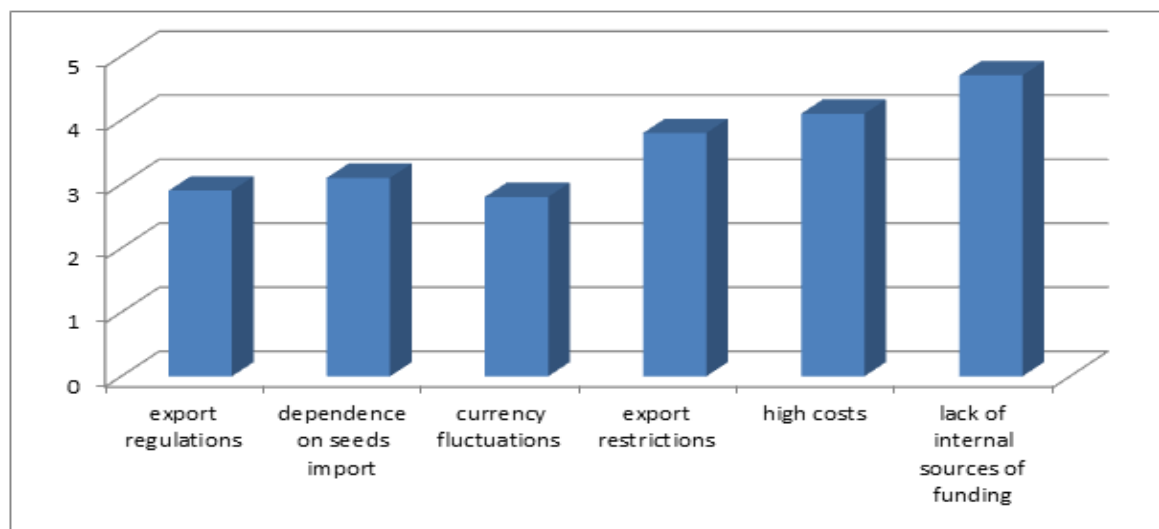
RESEARCH METHODOLOGY

The study used macroeconomic, statistical and analytical approaches, which focused, firstly, to studying the priorities in the implementation of agrarian policy; secondly, analysis of the effectiveness of the realization of state programs in the sphere of regulation of the AIC of the Republic of Kazakhstan; thirdly, the study of problems in achieving the macroeconomic sustainable development of the agrarian sector. The theoretical and methodological basis of the study is the scientific works of foreign and domestic scientists on the entrepreneurial activity development, state support for its development, the formation and activation of the use of small and medium-sized businesses' entrepreneurial potential. The methodological basis of the work was the general scientific research methods, including analysis, synthesis, generalization. The practical significance of the results obtained is determined by the fact that the scientific and methodological provisions of the work have been brought to the level of specific methods and practical recommendations to increase the efficiency of the small and medium-sized businesses' development in the agricultural sector of the economy.

RESULTS AND DISCUSSION

The small and medium-sized business (SME) sector is a globally recognized driving force, an important element of the modern economy, without which the state cannot develop. It largely contributes to keeping up the competitive status in the economy, creates national wealth through the creation of new jobs, and the growth of gross domestic product (GDP). Currently, the SMEs role in ensuring sustainable economic development in Russia is extremely important. This sector of the economy forms the revenue side of the budget, provides employment for the population, satisfies public needs for goods and services, stimulates the reduction of poverty and an increase in the population living standard, affects the country's image in the global market. The issues of SMEs stimulation and development in the country are the task of the state authorities and are considered a matter of domestic policy. At the same time, the effectiveness of domestic policy is directly related to the processes of international cooperation; therefore, it is important to determine the existing differences between the development policy of our country and the developed countries of the world. A difficult political situation, a drop in demand for products, high tax rates, an unfavorable investment climate, limited access to funding sources, an increase in government pressure on the activities of small and medium-sized enterprises in the agro-industrial complex significantly hinder their development. It is the state that should play a stimulating and supportive role in ensuring the development of small and medium-sized businesses. Therefore, taking into account the negative trends in the development of this sector of the economy, the study of the world experience in the SMEs development in the agro-industrial complex and the identification of the main mechanisms and instruments of state stimulation of sustainable growth becomes especially relevant. In recent years, with the strong support of the state, the Russian agrarian complex has become accustomed to the position of the economy driver and seemed invulnerable. Even in the face of the merciless COVID-19, which although caused panic in the consumer market this spring, but still could not stop the ongoing development of the industry. Following the results of 11 months, the agricultural production growth amounted to 1.5%, in contrast to other industries, positive dynamics is expected for the

whole year. On the other side of the scale is the fall in October and November. In the past year, the agro-industrial complex has mastered a new system of state support; agrarians have sharply increased the purchase of agricultural machinery, mainly domestic, and fertilizers. In the context of the pandemic, they coped with the field work and received the second grain harvest after the record one in 2017 - 132.9 million tons. Another step was taken in the development of exchange grain trading - in December, delivery wheat futures were launched on the Moscow Exchange. Russia retained its leadership in the world wheat market, actively developed new sales markets and offered them not only traditional raw materials, but also deeply processed products. Last year's export figure of \$ 25.6 billion was achieved at the beginning of December. Russian products were supplied to almost 160 countries of the world. And yet this year, both external and internal factors led to the fact that the industry which seemed to be long adapted to the market economy and now and then reminded of its ambitious task of foreign expansion, had to undergo strict regulatory pressure. Largely due to the rise in food prices, the Central Bank had to adjust the annual inflation forecast (according to preliminary estimates, out of a 0.7 percentage point increase in the forecast, the accelerated rise in sugar and sunflower oil prices accounted for 0.2 percentage points, export prices for grain - 0.3 percentage points). Compared to other sectors of the economy, the agro-industrial sector is considered the least affected by the pandemic. It was not fully affected by lockdown - the specificity of production is that it cannot be stopped. But it was influenced by such factors as the closure of borders, the rupture of supply chains, and the drop in consumer demand. In general, the main market players note the growth of production and financial indicators, the preservation of investment plans and development programs. The main problems of SMEs in the agricultural sector in Russia are presented in Figure 1.



Source: Authors' Compilation

FIGURE 1
THE MAIN PROBLEMS IN THE ACTIVITIES OF SMES IN THE AGRO-INDUSTRIAL COMPLEX IN RUSSIA

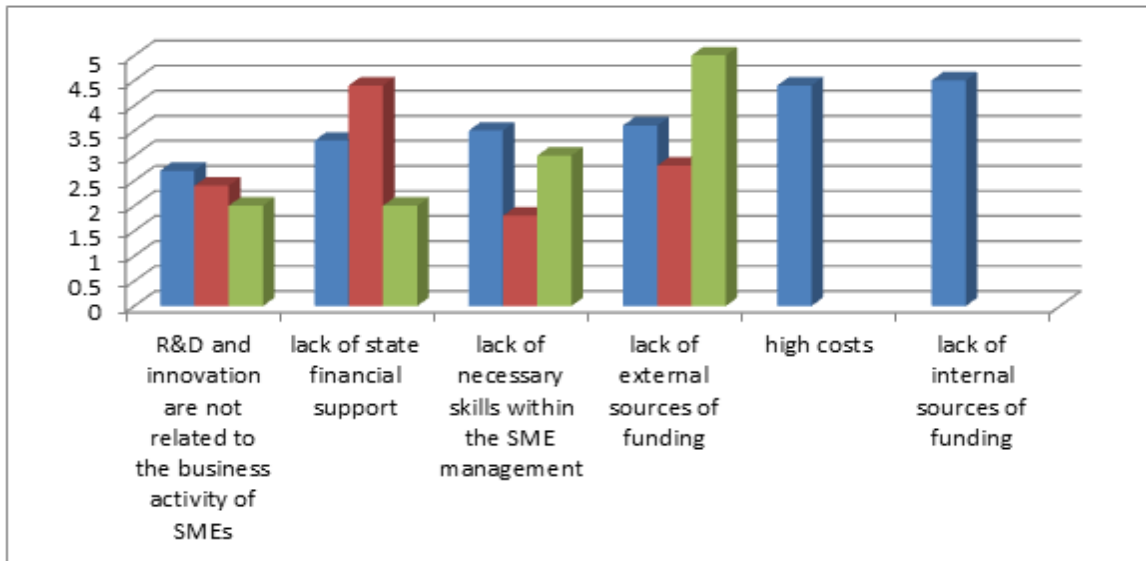
Therefore, the main problems of SMEs development in the agro-industrial complex in Russia are:

- Lack of internal sources of funding;
- Export restrictions;

- High costs;
- Dependence on seeds import.

According to the annual report, the report on European SMEs, the main problems faced by small and medium-sized enterprises in the agro-industrial complex are:

- Lack of internal sources of funding;
- High costs of research and development and innovation activity;
- Lack of external sources of funding;
- Lack of necessary skills within the SME management;
- Lack of state financial support (grants, tax credits, etc.) For research and development and / or innovation activities of SMEs (Figure 2)



Source: Authors' Compilation

FIGURE 2 **THE MAIN PROBLEMS IN THE ACTIVITIES OF SMES IN THE AGRO-INDUSTRIAL COMPLEX IN THE EU COUNTRIES**

The main task is to increase by 2.5 times the labor productivity and export of recycled agricultural products by 2022 (Vdovenko & Kiselev, 2010). Thus, the state policy in the field of development of the agrarian and related industries has short, medium and long-term goals and in the aggregate will be aimed at improving the well-being of the rural population through improving productivity and profitability of agrarian production directly, advancing the development and support of all forms rural employment, including through the industrialization of rural areas (Simagin, 2018). Measures to stabilize agrarian production involve various methods of state regulation of the agro-industrial complex. The state support of agriculture in Kazakhstan is now operating through several channels of financial assistance, where the leading role is played by the JSC «National managing holding «KazAgro». It acts as an infrastructure investor and source of financing for agricultural producers who need long-term commitments and loans based on the strong political support necessary for the development of the country's agricultural sector. Regarding the achievement of the main objectives of the agrarian policy in the report on the implementation of the State program of development of the agro-industrial complex of the Republic of Kazakhstan for 2017-2021 it was noted (Official Internet resource of

the Ministry of Labor and Social Protection of the Population of the Republic of Kazakhstan, 2021):

- Subsidizing for reimbursement of a part of expenses incurred by subjects of the AIC with investments, in 2018, 9821 applications of subjects of the AIC were subsidized, expenditure is 100%;
- Subsidizing the interest rate on credit and leasing obligations in the framework of the direction for the financial rehabilitation of AIC entities in 2018, 167 applications of AIC entities were subsidized, expenditure is 100%;
- Subsidizing interest rates when lending to AIC entities, as well as leasing for the purchase of farm animals, machinery and technological equipment in 2018, 19918 applications from AIC entities were subsidized, expenditure is 100%;
- Ensuring the availability of sales markets and the development of export of products is one of the main activities is the adoption of measures to remove barriers and open up foreign markets, as well as attracting TNCs and anchor investors to promote domestic AIC products;
- Study of the structure of markets for priority types of products that have export potential in the framework of investment programs (on a systematic basis)

At present, the geography of the export of Kazakhstan agricultural products and products of its processing looks following way. The chief markets for Kazakhstani agricultural and processed products are as follows:

- √ the countries of Central Asia (Uzbekistan, Turkmenistan, Tajikistan) and Afghanistan;
- √ the countries of the Persian Gulf (UAE, KSA, Bahrain, Qatar, Oman) and Iran;
- √ European Union countries (Italy, Belgium, Germany, Belgium, Latvia, etc.);
- √ countries of the EAEU (Russia, Belarus, Kyrgyzstan, Belarus, Armenia);
- √ China, Japan, Korea, Vietnam;
- √ Turkey, Azerbaijan, Georgia;

On the issue «Provision of advisory services to agricultural producers on the export of products, including support of contracts», necessary work is underway to improve the investment climate with both public and private companies, where there are organized meetings with potential investors, initiators of investment projects, development institutions and representatives of international financial organizations. It is essential to note that JSC «National managing holding «KazAgro» takes an active part in 55 events of the Ministry of Agriculture of the Republic of Kazakhstan concerning improving the investment climate and encouraging private investment in the economy of Kazakhstan. A list of investment projects is being formed to fill the information monitoring system (Report on the implementation of the State program of development of agro-industrial complex of the Republic of Kazakhstan for 2017-2021, 2019; Jussibaliyeva et al., 2018). The state of food security of the domestic market with these goods ranges from 80% to 100%. The exception is 3 products: cheeses and cottage cheese (58.4%), sugar (54.4%) and poultry meat (51.2%), for which there is currently an import dependence. In particular, the government is carrying out import substitution work on poultry meat, cheese and cottage cheese, sugar. Long-term industry programs developed. The main reason for the increase in prices for vegetable products are seasonality of production, while total volume produced meets the needs of the population for science-based standards. To stabilize prices, regional stabilization funds for food products are functioning. The share of state-funded start-up businesses in rural localities and small towns, cities and single-industry towns in 2019 was at least 62%. The number of employees by industry in the 4th quarter of 2019 comprised 6.667 thousand people (total - 100%), of which 457 thousand people were employees in the agricultural sector (6,8%). As for the structure of the self-employed population, in the 4th quarter of 2019 the number of

self-employed in the country consisted to 2.106 thousand people (100% in total), and in the agricultural sector the number of self-employed people amounted to 717.3 thousand people, which showed the largest percentage (34,1%) of the total self-employed population of Kazakhstan by industry and field of activity. As for the nominal wage by industry, in the 4th quarter of 2019, the average nominal wage in the country amounted to 203.9 thousand tenge. The analysis showed that during this period the lowest nominal wage was observed in agriculture in the amount of 127.3 thousand tenge, which shows only 62.4% of the average nominal wage in all sectors (Simagin, 2018). The labor market in the agricultural sector is experiencing particular difficulties, many of which are also due to its specific features, which we examined earlier. When developing government measures to ensure employment and social protection of rural unemployed, it is imperative to take these features into account (Analysis of Global Trends in State Support of Agriculture, 2015; Jussibaliyeva et al., 2018). To implement the scientific support of agrarian science in the framework of the program-targeted financing of the Ministry of Agriculture, there were concluded 42 agreements with scientific organizations for the implementation of the program-targeted financing of 7.6 million tenge. The reports are submitted to the Ministry of Agriculture of the Republic of Kazakhstan on time according to the contractual 68 obligations; all reports were reviewed at the SSTE and approved at meetings of the National Scientific Councils (Report on the implementation of the State program of development of agro-industrial complex of the Republic of Kazakhstan for 2017-2021, 2019). Information on prices for socially significant food products in June 2019 is as follows: since the beginning of June 2019, prices for the following products have increased: potatoes - by 20.5%; onion - by 16.1%; carrots - by 15.9%; rice - by 5.4%; chicken meat - by 2.1%; beef - by 1.7%; wheat flour of 1 class - by 1.2%; butter - by 0.8%; buckwheat - by 0.8%; horns - by 0.5%; kefir - by 0.1%; salt - 0.1%. The decrease in prices is observed for cabbage - 51.9%, for the 1st category egg - 5.9%, for sugar - 1.8%. Pasteurized milk prices, cottage cheese, wheat flour of the 1st class, sunflower oil remained unchanged. In the regional section, the highest price growth for SSFP in June 2019 is noted in the cities of Zhezkazgan - 3.1%, Turkestan - 1.8%, Atyrau - 1.8%, Shymkent - 1.2%, Taldykorgan - 1.1%, Ust-Kamenogorsk - 1.0%, and the decline in prices observed in the cities of Kokshetau - 0.4%, Uralsk - 0.3%, Taraz - 0.1%. The main reasons for the increase in prices for vegetable products are the seasonality of production and the decrease in stocks of last year's crop among agricultural producers (Official statistics: Monitoring of economic indicators for public authorities and Monitoring of economic indicators for MNE RK, 2019). In General, the agricultural sector is characterized by stable indicators production growth, as evidenced by the growth in production volumes gross agricultural output for January-December 2019 compared to the same period in 2018 increased by 0.9% and amounted to 5 216, 5 billion tenge. At the same time, production livestock production increased by 4.0%, crop production decreased by 1.7%. As part of the anti-crisis measures, the Head of State instructed to include additional financial assistance to Kazakhstan farmers in the spring field work in the program «Economics of Simple Things». Funds are not free, but are issued on easy terms. For farmers 100 billion tenge are provided for only 6%. Financing is provided through JSC «Agrarian Credit Corporation» (a subsidiary of JSC NMH «KazAgro») and second-tier banks. It should be noted that recently, JSC «Agrarian Credit Corporation» completed financing of spring field work under the «Ken dala» program. At that time, 2,405 farmers, mostly representatives of small and medium-sized businesses, received 70 billion tenge at 5% per annum. Thus, in total, under the «Ken dala» and «Economics of Simple Things» programs, the spring field work of 2020 was funded by 170 billion tenge. Tangible state support will allow the peasants to sow on time and without

disruption (Official Internet resource of the Ministry of Agriculture of the Republic of Kazakhstan, 2021).

CONCLUSION & POLICY IMPLICATIONS

The most important direction in financial support improvement is the SME entities lending and credit development. To date, the Government of the Russian Federation is taking measures to ensure the repayment of credits to SME entities, a number of credit institutions have received the right to subsidize income that was not received on credits issued to medium and small businesses in 2017 at a preferential rate (Krainev, 2020). Another measure is the development of an infrastructure to support the entrepreneurship. The volume of financing for the current financial year allowed ensuring the creation of a regional subjects' network of infrastructure support for SMEs.

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