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THE CONCEPT OF USING THE NATIONAL FUND IN INDUSTRIAL INNOVATIVE DEVELOPMENT OF THE COUNTRY

The article considers the directions of formation and use of the National Fund of the Republic of Kazakhstan. The ways of investments accumulation and use of the National Fund are developed, the purpose of which is the most effective management and conservation of these resources through rational investing. As one of the priorities, it is proposed to improve the investment function of the Fund in order to maximize the effect from primary industries.

Keywords: National Fund; stabilization funds; natural resources sector; investments.

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КОНЦЕПЦІЯ ВИКОРИСТАННЯ НАЦІОНАЛЬНОГО ФОНДУ В ІНДУСТРІАЛЬНО-ІННОВАЦІЙНОМУ РОЗВИТКУ КРАЇНИ

У статті проведено аналіз формування і напрямків діяльності Національного Фонду Республіки Казахстан. Вироблено шляхи накопичення коштів Національного Фонду з метою найбільш ефективного використання та збереження цих коштів за рахунок раціонального капіталовкладення. Основним пріоритетом запропоновано вдосконалення інвестиційної функції Фонду для максимізації ефекту від сировинних галузей.

Ключові слова: Національний фонд; стабілізаційні фонди; мінерально-сировинний сектор; інвестування.

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КОНЦЕПЦИЯ ИСПОЛЬЗОВАНИЯ НАЦИОНАЛЬНОГО ФОНДА В ИНДУСТРИАЛЬНО-ИННОВАЦИОННОМ РАЗВИТИИ СТРАНЫ

В статье проведен анализ формирования и использования средств Национального Фонда Республики Казахстан. Выработаны пути накопления инвестиций и использования средств Национального Фонда с целью наиболее эффективного распоряжения ими и их рационального вложения. В качестве одного из приоритетов предложено совершенствование инвестиционной функции Фонда для максимизации эффекта от сырьевых отраслей.

Ключевые слова: Национальный фонд; стабилизационные фонды; минерально-сырьевой сектор; инвестирование.

Problem setting. As of today, Kazakhstan's economy as a whole depends upon primary industries, especially on the oil-and-gas sector, which is the key source of the National Fund of the Republic of Kazakhstan (www.minfin.gov.kz, 2015). The dependence of national budget revenues on the use of subsoil resources sets a task for the state to rationally use funds of the National Fund due to the non-renewable nature of the reproduction of natural resources and the need to reduce the dependence of state budget revenues on the prices for mineral resources at the world market.

Latest research and publications analysis. From the point of view of the authors (Gurvich, 2004; Margolin and Semenov, 2004; Seleznev, 2005), stabilization funds and their equivalents should be used for the formation of countries' external fund and budget replenishment by taking interest and their capitalization.

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The optimal use of the Fund of National Welfare suggests their use to achieve the sustainable state and social development, as well as to maintain and increase social income from primary natural resources (Antyushina, 2005; Danilov-Danilyan, 2004; Golub et al., 2003; Klarer et al., 1999; Lukyanchikov, 2004; Razovsky, 2000; Steiner, 2004).

Despite the differences in approaches to the development of a single mechanism for the use of additional income from subsoil use, the common to all existing commodity funds is the goal which lies in maintaining and increasing social revenues through the extraction of primary natural resources, as well as minimizing losses in case of income reduction from subsoil use.

The National Fund of the Republic of Kazakhstan, in addition to stabilizing and savings functions should intensify investment of different projects with a significant multiplier effect, since public expenditures allocated for investment purposes, serve as an investment multiplier, attracting private investments, including foreign ones.

The purpose of the research is to develop the Concept of formation, accumulation and use of the National Fund of the Republic of Kazakhstan.

Key research findings. The current period of the national economy development requires increasing the effective use of resources of the National Fund of the Republic of Kazakhstan as a component of its economic mechanism. The investment function of the National Fund of Kazakhstan should promote the development of non-resource domestic sector.

Rent payments for subsoil use should be based on the establishment of full resource potential of the country, on the basis of which physical and value economic appraisal of subsoil complex and comparative characteristics of its constituent mineral objects can be determined. As a result of this calculation and the related changes in payments collection for subsoil use the natural resource rent may be charged in full at the conclusion of license agreement in the form of a single rental payment or by installments as the implementation of deposit's development through the withdrawal of shares of the total cost of subsoil object.

The economic importance of natural rent for subsoil use is determined by the presence of differentiation in subsoil users' income derived from the differences in natural properties of land and its subsoil, and it does not depend on the intensity of business.

The methodological base for rental payments establishing for the use of subsoil resources is economic assessment of their resource objects that take into account their resource potential and effective use.

Economic evaluation of primary natural resources is dependent on the volume of resource sources and the qualitative characteristics of an object, which should include the economic parameters of quality of extracted raw materials and the conditions of its production, such as geographical, climatic, geological and other factors:

$$EV = f(k_{gg}, k_{cl}, k_{gl}, \dots, k), \quad (1)$$

where EV – economic value; k_{gg} – the coefficient of influence of geographical factor; k_{cl} – the coefficient of influence of the climatic factor; k_{gl} – the coefficient of influence of the geological factor; k – coefficients of influence of other factors.

The distribution and use of social rental income determine the efficiency of extractive industry and is based on the principles of taxation of subsoil users.

The recommended mechanism for allocation of natural rent of subsoil use is shown in Figure 1.

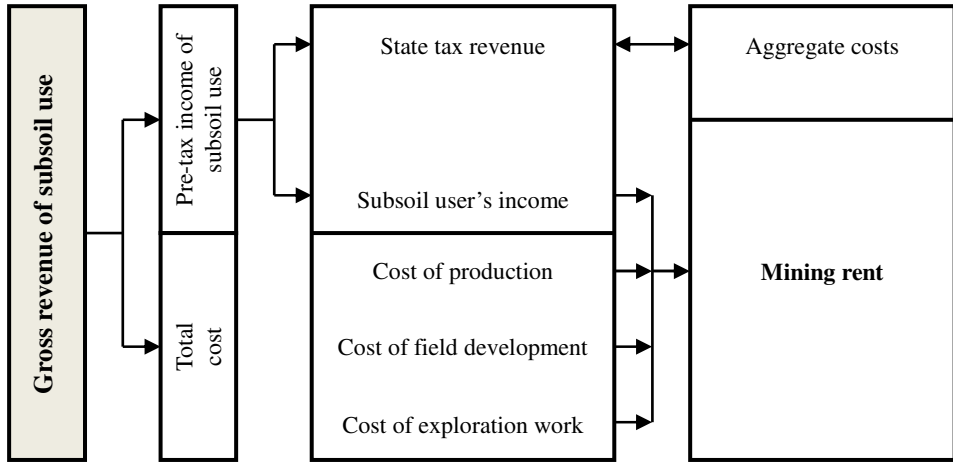


Figure 1. The recommended mechanism for natural rent allocation, authors'

According to the proposed scheme, the level of subsoil state revenues is equal to the value of mining rent, for what taxation of subsoil users should be directed.

As a result of the research conducted we have formed the directions for development of rent relations on subsoil use, including the following:

I. Concept for development of the mechanism of collecting taxes and payments of the extractive industries.

The first stage for the extractive industry as a whole should be the progressive differentiation by subsoil users' costs, which involves further accounting of individual characteristics of deposits, by location and qualitative composition of extractive resources etc. At this stage it is necessary to make the differentiation of rent payments directly by enterprises, fields and wells.

The second stage of the full implementation of rent payments in subsoil use system should be the introduction of direct dependence of rental payments on the level of rent payments, and then – on rental valuation of primary natural resources.

As a result the implementation of the system of rent relations in the subsoil use sector requires taking into account its resource potential. To achieve this goal, it is necessary to solve the following tasks:

- assessment of mineral resources in natural gauges;
- economic evaluation of mineral resources as of today;
- analysis of the dynamics of economic indicators characterizing the activities of extractive industry in reproduction and use of the resource potential, forecasts and prospects for its development.

As part of the proposed Concept the rate of change of certain types of tax revenue without significant negative effects for the economy should established; the list, structure and terms of legislative acts approval that regulate changes in fees for mineral resources use, laws on other types of taxes that should be reduced or canceled by increasing fees for mineral resources use should be determined; a unified metho-

dological basis of economic evaluation of all kinds of subsoil resources and on this basis should be created a methodology for determining fees for the use of various types of subsoil resources with consideration of the phased payment level corresponding to full economic assessment of subsoil resources.

The analysis of the rate of growth in investments volume in the growth rate of industrial output in the extractive industries overall allows for the conclusion that partial withdrawal of rental income of subsoil users in the form of taxes and fees should be based on the need for further implementation of the current investment policy aimed at production extent of subsoil resources, primarily fossil fuels, according to which a certain proportion of tax revenue from subsoil use must be returned back to the extractive sector.

There is a necessity for such a tax system so that there would be no reduction in the overall level of deposit development and production. This calls for differentiation of taxes, which should be gradually introduced in the taxation of subsoil users. With the implementation of new mechanisms for subsoil payments and other related works in the country should gradually come closer to the real part of the rent charged form extractive companies.

Gradual increase in payment rates before achieving this level, the amount of which is charged for field exploitation during the entire period, would be consistent with economic evaluation of subsoil exploited resources and is recommended for gradual execution as necessary changes cannot be implemented at the same time, it is necessary to introduce a program for phased replacement of the existing tax systems under its long-term reform.

Effective improvement of the existing system of subsoil use taxation allows most effectively reform the revenue system of mineral resources exploitation.

As a result of the activities developed, revenues from subsoil resources exploitation will gradually approach their rental estimates.

II. Ways of accumulating and using the National Fund. Rental payments as an economic category, except for mineral resources payment functions, also carry the rent withdrawal function (spinoff) of subsoil users, formed as a result of unequal conditions of extracting certain minerals and the price situation at the world market.

In Kazakhstan subsoil resources in accordance with the constitutional law are state-owned, the rent is public property and its distribution is the state's responsibility.

Today the mechanism of involving mineral resources into economic activity is part of the mechanism of the republic's mineral resources management and is focused on the formation and development of legal and institutional conditions required for creating a new economic mechanism of rational subsoil use.

In the world practice of subsoil use there are different ways of accumulating the natural rent. The most successful of them are Norway, the United States and others, they achieved significant economic results based on natural resources (Antyushina, 2005; Golub et al., 2003).

We suggest the following distribution in the use of the National Fund of Kazakhstan: the fund for non-resource sector development – up to 35%, trust fund (savings) – 15%, social support – 15%, stabilization fund – no less than 35%:

$$NF \rightarrow FNR + TF + FSS + SF, \quad (2)$$

where NF – National Fund; FNR – the fund for non-resource sector development; TF – trust fund; FSS – fund of social support; SF – stabilization fund.

The key task of Kazakhstan's economy facing the drop of oil prices is to prevent the economic downturn and to move away from oil dependence, so the stabilization fund should be used now for primary economic objectives that allow maintaining the sustainable development of the economy in all its branches.

According to sustainable development principles, rent is to be used in the public interest for the development of socioeconomic and scientific-technical potential of the society as the direct owner of subsoil resources.

Today the economic importance of mineral resources complex is that the social focus of using rental income is not to use wider for developing public social services, but to give impetus to domestic economy technological development, its walkoff from narrow fuel and raw specialization in global labor division. It is in the public interest to seek the subsoil use mechanism due to which there is a stimulation of increasing investments into extractive industries and their processing to increase the stability of natural resource potential of the economy. The proposed structural reforms will not only lead to revenue growth for individual companies, but also increase the efficiency of the mining sector overall. Target use of the natural rents' share is required in primary industries for prospect evaluation and exploration works, geological exploration and development of mineral resources, as Kazakhstan has not yet exhausted all its internal reserves and has undiscovered reserves of many kinds of resources. For bringing to the new level the oil and gas sector, on which modernization and functioning of our economy is dependent, further investment growth is required, which the industry itself should not implement at the expense of oil companies profits.

Under these *main priorities*, using the National Fund of the Republic of Kazakhstan shall be as follows:

1. Priorities for using the National Fund of the Republic of Kazakhstan shall be defined taking into account the following points:

- identifying the key priorities in domestic economic policy, namely, the development of processing industries, chemicals and petrochemicals, agro-industrial complex, further development of emerging technologies, production of products with high added value;
- supporting the private sector, which can be carried out through tax subsidies, funding of the most competitive industries, high-tech industries, industrial infrastructure and housing;
- investing in education, healthcare and essential social programs.

2. Rationalization of relations between the National Fund's incomes used in Kazakhstan and abroad because from the global economic experience of various states it is obvious that the probability of investment risk can be reduced by increasing the general quantity of investment objects, including those in the countries in which investments are. This may be due to reduced financial, political and other types of risks. In this case, it is possible to contravene the system of the National Fund use, offering all the funds received by oil incomes and other income from subsoil use, to be invested in leading foreign companies in case of domestic production stagnation.

The increase in money supply in the economy will stimulate the economic growth without leading to another round of inflation.

Consideration of rational ways of investing money from the National Fund shows that at present there is still a risk of oil revenues loss by investing some types of domestic production. Therefore, as top priorities, it should be noted the development of subsoil use and related processing industries. Justification and implementation of market modernization strategy during the economy transition to a new technological basis and at the same time formation of an adequate economy mechanism are of great importance for Kazakhstan, and the driving force of economic development is the fuel and energy complex and other export-oriented extractive industries.

Conclusions. Priority tasks of the towards state the society and future generation is the most effective use of subsoil resources, namely:

- defining the mineral resources potential of the Republic and economic assessment of mineral-resource complex as a whole and by separate objects.
- gradual transition to the fully justified share of natural rent received in the mineral industry, taking into account the existing differentiation in terms of production by changing the whole system of payments for mineral resources use;
- improvement of investment functions of the National Fund of the Republic of Kazakhstan to obtain the maximum benefit from these resources, the most effective management and conservation of these resources through their rational investments.

Thus, the implementation of new activities of the National Fund of Kazakhstan increases the efficiency of using the country's income from the primary sector of the economy and will contribute to the realization of the strategy of country's industrial innovative development.

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