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FINANCING INNOVATIONAL PROJECTS OF AGRO-INDUSTRIAL COMPLEX IN KAZAKHSTAN: CURRENT PROBLEMS AND FUTURE PERSPECTIVES

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Agricultural innovation, which includes the successful development of new or traditional practices, their tailoring to the local needs of farmers, farm cooperatives and agri-business, and their adoption and up-scaling, requires adequate capacities on all levels of decision making. However, low-income countries often lack the resources and capacities to fully develop their innovation systems [1].

The purpose of the study of the system of financing of innovative projects in the agro-industrial complex of Kazakhstan is to identify the existing problems in the financial and investment support for promising innovative projects in the field of agriculture and to offer recommendations for improving the of an existing financial mechanism for the implementation of innovation projects through the development of specialized of state development institutions.

Today there are some problems in the agro-industrial complex of the Republic of Kazakhstan:

- the backwardness of agricultural technologies, physical and moral depreciation of the means of production;
- excessive loss of irrigation water, undeveloped commercial fish farming, as well as inefficient use of other natural resources;
- small commercial farming;
- low levels of genetic potential of the seed used, and cattle;
- lack of quality raw materials for industrial processing and the low share of domestic value-added products in the domestic food market;
- the availability of essential food products, which have not met the domestic needs;
- low level of attracting investments in the agricultural sector;
- insufficient development of rural cooperation.

Agriculture is one of the key sectors of the Kazakh economy. Kazakhstan is the 9th largest country by land mass.

More than 74 % of the country's territory is suitable for agricultural production, representing 5.5 % of GDP and employing over 20% of the labor force, with 43% of the population living in rural areas.

The rich soil and climate provide ideal conditions for growing wheat, barley, rice, corn, millet and buckwheat. In 2015, the total crop area reached 21.2 million ha. Corn and beans will be sown on 16.5 million ha while oilseed will occupy 1.7

million ha. Food production increased by 2.9% at the end of 2015 and for the first time was more than 1 trillion tenge. Imports amounted to 2.9 billion US dollars, export were 1.1 billion US dollars [2].

Despite the optimistic forecast, there is a need to move agricultural production harmonious combination of development, both crop and livestock production, which will in any economic environment cost-effectively develop agribusiness.

The current situation in the livestock industry has a whole set of problems: first, the overall decline in number of changes in the structure and management. If earlier there were 70 % of livestock in agricultural formations, it is now 82 % is in private farms; second, the low proportion of breeding stock in the total herd and splitting its genetic potential; third, a major deterrent for sustainable development of animal husbandry industry is the virtual absence of forage production. A huge layer of problems lies in ensuring veterinary welfare.

The main reasons for the low labor productivity in agriculture are:

- insecurity of modern scientific research organizations material and technical infrastructure. For today most of the buildings and facilities (71.1%) has been in operation for over 30 years and 22.1% - more than 20 years, to be written off 71.4% of all available agricultural machinery [3, 4];
- limited financial resources to carry out research and development work (grant size does not exceed 0.2% of the gross output of agriculture (2009), while in countries with developed agriculture, the figure is between 1% and 4%);
- low level of entrepreneurial culture based on the use of new technology and innovation, low innovation activity of subjects of agriculture;
- low competitiveness of scientific products and technologies on the international scientific market;
- lack of an effective mechanism for securing, motivation, and social support for young scientists in national agricultural science has led to a deterioration of the social status (decrease credibility of scientists in society) scientist and break the continuity of generations of scientists;
- low level of wages in agriculture;
- skills shortages due to lack of effective tools for forecasting staffing, inadequate allocation of government contracts to train agricultural training and employment of low-level agricultural and veterinary professions (16-30% of the number of the graduates of higher education);
- lack of social support for young professionals to promote their consolidation in rural areas;
- lack of development of social and physical infrastructure of the village as a whole, including the organization of cultural activities;
- weak interaction of agricultural enterprises and universities and colleges, as well as lack of awareness of the graduates of universities and colleges on the availability of vacancies in the enterprises.

In this situation, the Government carries out a number of measures. For example, it was created "National Holding" KazAgro".

Goal of the Holding establishment is implementation of the state policy to stimulate development of agribusiness complex of the Republic of Kazakhstan through ensuring effective management of investment assets and development of corporate culture of joint stock companies implementing their activities in agribusiness complex, which shares are given to it for payment of placed shares.

The Holding mission is implementation of the state policy to stimulate industrial development of agribusiness complex on the principles of effectiveness, transparency and effective corporate management of the Holding structures [5].

The Holding, being an operator of the most important strategic projects of agriculture development, will provide available, targeted and effective use of the state and attracted resources, implementing further development of productive, information and service infrastructure of agribusiness complex.

In 2015, it was funded 251,9 billion. tenge in the agricultural sector and employed 35,8 thousand persons. Current the investment portfolio of "KazAgro" contains 477 projects to the amount of 309 billion tenge. 365 of these projects have been put into operation. Capacity utilization was 70% or 236 projects.

Selection of projects for funding include the following conditions:

- projects should include modern technology
- investment projects to be implemented within the framework of the Holding "KazAgro" and meet its goals and objectives
- creation of new jobs, economic recovery and the economic life in rural areas.

Effective development of small and medium enterprises in the agro-industrial complex is an essential resource for economic modernization of Kazakhstan. Especially small and medium businesses that require no upfront investment volume, are the guarantors of social stability and irreversibility of modernization processes by involving the wider rural population in the industrially-innovative sector.

The President of Kazakhstan sent to Holding "KazAgro" 7 orders. The first order is to take it to enhance lending to the economy measures in the financial sector, in particular small and medium-sized businesses.

In 2014, the holding company achieved an increase of nearly 5.3% in lending to small and medium-sized businesses, 158.5 billion tenge against 156.2 billion tenge in 2013, by increasing the number of loans granted to small and medium-sized businesses. In 2015, a sharp increase in lending volume by 12%, or 177.7 billion tenge.

"KazAgroInnovation" with government support took measures for the development of innovation in the production system. The Center of the transfer and commercialization of agricultural technologies (CTCAT), which aims to support and development of new agricultural technologies, including through the creation of new companies based on high technologies with the participation of public resources. Also, the system of "KazAgroInnovation" in order to provide highly

information-analytical and advisory services in agriculture in 2009 established Analytical Centre for Economic Policy in the agricultural sector. CTCAT Activities aimed at supporting and developing new agricultural technologies, including through the creation of new companies based on high technologies with the participation of public resources (start-up and spin-offs). We see that there are key indicators for the development of innovations in agriculture (See Figure 1).

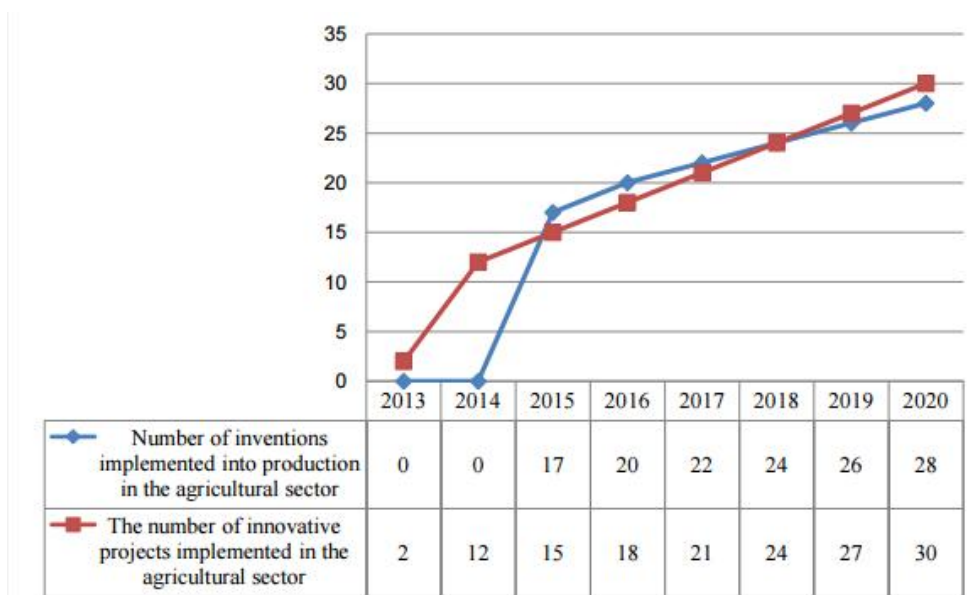


Figure 1. Indicators for the implementation of the results of agricultural science in Kazakhstan [6, 7]

The Government of Kazakhstan approved a new sectoral program of agroindustrial complex development for 2013-2020 “Agribusiness – 2020” in February 2013. The Agribusiness-2020 Program aims at developing four dimensions: financial recovery, increase of affordability of products, works and services for the agro-industrial sector entities, development of the state system of agricultural producers support, improvement of efficiency of the state management system of the agro-industrial complex [8]. The gross expenditures proposed in the republican and local budgets for the Program implementation in 2013-2020 will amount to 3,122.2 bln tenge, including: 2013 – 339.7 bln tenge; 2014 – 466.0 bln tenge; 2015 – 322.7 bln tenge; 2016 – 340.7 bln tenge; 2017– 383.5 bln tenge; 2018 – 406.9 bln tenge; 2019– 414.3 bln tenge; 2020 – 448.4 bln tenge.

The Program on agribusiness development for 2013 – 2020 will be implemented in two stages:

- During the first stage in 2013 – 2015, it was necessary to build a strong foundation for the agribusiness development.
- The accomplishments planned for the second stage in 2016 – 2020 are: to increase considerably the output of agricultural products, reduce dependence of the RK on imports of all the key food products, exploit the export potential and to achieve the goals highlighted in the Program. The results of solving the tasks assigned to the second stage are outlined below:

- 1) increase in labor efficiency in the agriculture through the use of up-to-date agricultural technologies facilitating achievement of the target indicators for the yield capacity of crops and livestock productivity;
- 2) exploitation of the potential of manufacturing and processing sectors in the RK agribusiness.

Immediate task of improving the innovation system of agriculture is to increase agricultural innovation capacity. It is based on research and development for the agricultural industry as a constantly replenished and renewable source of continuously increasing capabilities of innovative renewal of agriculture. Scientific and technological advances often determine the possibility of transition to sustainable agriculture development, while ensuring the implementation of the measures of the innovation system depends on how fast this transition happens.

There are conclusions of this study and the prospects for future developments in this area. Consequently, one of the main tasks of providing innovative system blocks agricultural is to create favorable conditions for the formation of the fund innovation and development in the production of while smooth in differences between the results obtained in the production and the potential of research and development, keeping in mind both available and affordable to consumers quantitative set of innovations and opportunities to improve their production, the economic and other indicators of agro-industrial activities.

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