

## **Development of the concept of the optimum mechanism of government administration by economy of agro-industrial complex of the Republic of Kazakhstan**

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**Abstract.** In reforming of agro-industrial complex of the country the important role belongs to state regulation of development of agriculture for the purpose of support to producers. The article describes the basic mechanisms and management problems of agriculture and developed the concept of an optimal state economic management of agriculture. The developed concept improves the implementation of state mechanism of economic management and will increase the efficiency of agricultural production of the country.

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### **Introduction**

The market transformation of the agricultural sector leads to profound changes in its economic mechanism, increasing the role of economic interest of all market relations in it. In this regard, in the reform of the country's agricultural sector important role belongs to the state regulation of agriculture development to support agricultural producers, ensure sufficient food for residents of the republic, and ensure food security of the country.

The need to improve the management of agro-industrial complex of the region dictated by the fact that the state is responsible before its citizens for the creation of normal conditions for life, providing food and other agricultural goods. Deficiency of material and financial resources, low technical level, the weak labor motivation, violation intersectoral relations, social backwardness of the village leads to the need for better government support of branch.

Today, Kazakhstan is among the 25 countries, the main producers of agricultural raw materials (grains and other food products). Kazakhstan on the total area of agricultural land, cereal crops and potatoes is included in the first ten major producers of agricultural raw materials. According to the experts resources of the republic allow to make 3 times more food, than consumes its population. During the reform period since 1991 has been derived from agricultural turn of 14.0 million hectares of arable land and more than 100 million hectares of pastures. At the same time the collapse of large commercial farms has led to a substantial reduction in the number of livestock, deterioration of material base, migration from villages and country, etc. It is enough to tell that the number of cattle decreased by 1,7 times, sheep and goats - in 2,0, pigs - 3,1 and birds - by 1,8 times. Reduction in production of main types of production of agriculture

in 2012 in relation to 1990 made: on grain – 2,2 time, to meat - 1,7, to milk - 1,2, to eggs - 1,2, wool - 2,8 times[1].

Relevance of this research is also related to the fact that in many states the management system of agro-industrial complex is developed in insufficient degree, lacking of the organizational structures adequate to the market relations, capable of accumulating material, labor and financial resources.

Mechanisms of the state and market management of the agrarian relations provides and practices to the agricultural organizations a choice of any form of the organization of production, property, freedom of business activity, independence of managing and the order agricultural production, and also income gained from its realization. In the conditions of a general crisis in the country, including in agrarian sector which initially had serious consequences not only for the agricultural industry, but also for the whole country, state regulation of agrarian relations contributed to profound changes of economic, legal and social character.

All noted in total makes objective need of scientific researches on development of the optimum mechanism of state management of the economy of agro-industrial complex.

### **Research methods**

Theoretical and methodological basis of the research were the works of the classics of economics, domestic and foreign scientists on optimizing the management of agro industrial complex of the region. In research was used the method of system approach which allows to study features of development of the territory in the conditions of market economy. As the main methods were used comparative analysis, normative, and abstract - logical, which allowing complexly conduct research.

State economic management mechanism AIC for years of transition to the market relations is in constant search. On this subject there are a lot of research works, especially in the theory and practice of public management of the economy of agriculture in a transition period to the market. The problem of state regulation of agriculture is not new to the global and domestic science. It is enough to remember such names as A.Smith, D.Ricardo, J.Keynes, V.Varga, etc.

The market can't arise in itself; it is created by the state on an organizational and legal basis which is the most important element of its functioning. Confirmation of this thesis is available for D.Stiglitz: «...I am convinced that in despite of the fact that in the center of our economic success is a market mechanism, the markets not always will smoothly be organized in it and therefore they can't solve all problems, and will always need the state, as the major partner»[2].

The concept of the market economy as liberal economic structure is not absolute. «Liberalism more sharply highlighted the nature of the market economy as a highly developed form of an anonymous exchange of goods and services» - indicates L.Erhard[3].

The point of view on problems of development of the market and its main objectives is represented by D. Soros: «... the structure itself does not allow solving fair distribution issues; it takes a significant distribution of wealth for granted. The market does not reflect the interests of society. The purpose of the corporation is not to provide employment; they hire people (possibly smaller and cheaper) solely in order to make a profit»[4]. This statement becomes an additional argument in favor of state intervention in the economy for equitably distributing income between the members involved in production process. As shows world experience, the most effective form of the state support is development and implementation of target programs. Importance of development and implementation of programs for achievement of goals is noted by P.Samuelson: «State programs helped the USA to keep the advanced positions in the field of science and technologies»[5].

Questions to improve the economic efficiency of agriculture in economic theory have been and remain a priority in scientific research and practical implementation.

A lot of attention to this problem was paid in works of to Russian scientific economists – I.P.Dugina, L.I.Makarets, V.M.Bautina, F.K.Shakirova, G.V.Savitskoy, N.Ya.Kovalenko, I.A.Minakova, A.V.Shpilko, and others.

The significant contribution to studying of these problems in agrarian sector of economy was made by such domestic researchers, such as G. A. Kaliyev, T.I.Espolov, R.Yu.Kuvatov, Zh.Zh.Suleymenov, Zh.S.Sundetov, B.G.Zhunusov, K.R.Nurmaganbetov, K.K.Abuov, Zh.B.Balapanov, K.M.Belgibayev, H.V.Zharekeshev, Sh.Imangazhin, D.A.Kaldiyarov, A.K.Sharipov and others.

The state role upon transition to the market relations very well is characterized by the academician G.Kaliyev: «The principles which were applied now in Kazakhstan of A.Smith that «the hidden hand of the market» will put everything on the places, long ago already had found the place on a dump of economic history»[6].

Research objective is research of classical methods of the state and market mechanism of regulation of economy of agro-industrial complex. Development of the optimum mechanism of management of agro-industrial complex (further - agrarian and industrial complex), is improvement of ways of effective introduction of innovative and investment solutions for increase of food security of the country.

The specified purpose is concretized in the following main objectives:

1. Investigation of the structure of the state and the market mechanism of economic management in agribusiness conditions of industrial-innovative development of the country.
2. Development of ways of stimulation of introduction of achievements of science and technology at innovative and investment processes.
3. Improvement of optimum mechanisms of effective public and market management by economy of agro-industrial complex of regions.

### **Main part**

The theory and world practice of state regulation of development of agriculture shows that to market transformation of agrarian sector there are profound changes of its economic mechanism, increase of a role of economic interests of all subjects of the market relations in it in agriculture. Therefore in agriculture reforming the important role belongs to state regulation of development of agriculture for the purpose of support to producers of agricultural production, providing enough of products of the food for inhabitants of the republic, ensuring food security of the country.

The necessity of state regulation of agriculture is caused by the following reasons:

- Objective dependence of agricultural production on climatic conditions affecting the risky nature production;

- Aspiration of the state of stimulation of achievement of food self-sufficiency and food security of the country;

- support of the income of the rural producers delivering on the market production, being in the general and stable demand, however not compensating enough expense of producers;

- The formation of an equal relationship between agriculture and industry, within the complex structure of the AIC.

Agrarian sector of Kazakhstan has the following specific characteristics:

- The total area of lands of agricultural purpose – 222,6 million hectares, from them under an arable land is 24 million hectares (10,8%), grasslands of 5 million hectares (2,2%), and pastures of 189 million hectares (85%);

- The number of rural population – 7,48 million people, or 45% of the total number of the population of the country;

- Horizontal and vertical zonation of soil and vegetable cover is sharply expressed. In forest-steppe and steppe zones there are 10% of all lands, in semi desert and desert – about 60%, in mountain areas – about 5%;

- All agricultural zones of the country are characterized by low quantity of an annual precipitation – 150-320 mm;

- Lack of an outlet to the sea that creates essential difficulties for access to foreign markets.

Currently, formed a new trends in the world agricultural economy and demographics, the real development received the regional integration processes, global climate changes occur.

Kazakhstan was included in the Customs union (further – the CU), during the next period is planned entry into the World Trade Organization (further — the WTO)[7].

However, the low level of productivity in the industry, the imperfection of technologies used, small-scale production did not allow to conduct intensive agricultural production on the basis of ensuring the fullest possible utilization of material, labor and other resources to comply with environmental requirements.

These factors reduce competitiveness of domestic agrarian sector that in the conditions of the WTO and CU can lead to domination of import of foreign production, replacement of local producers from sales markets[8].

Under the conditions of accession of the republic in the Customs Union and the World Trade Organization is necessary to have the sustainable development of agriculture, the maximum production of their own food, and thus decrease the country's dependence on imports of the world, the solution of

social problems - providing jobs for the rural population. Integration processes need to be considered not only as a development tool of economy of the region or the separate enterprise, but also as a factor of expansion of their production and sales base[9].

Public funds in Kazakhstan, as well as in developed countries should be directed to finance measures to improve soil fertility, land reclamation; subsidizing elite seed production, vegetable production, livestock breeding and poultry farming, financing of capital investments in the development of science and technology, the creation of special state funds for financial support agricultural, support (peasant) farms; compensation of the cost of acquisition of mineral fertilizers, plant protection products, the formation of industrial infrastructure AIC.

The credit policy has to be directed on: reduction in cost of percent on loans; compensation of payments on account of a principal debt; allocation of preferential credit resources; delay of a tax debt; creation rural credit cooperatives.

It is necessary to apply more widely the state orders of agricultural production, raw materials and the food which are intended to ensure the effectiveness of public procurement. They are also guaranteed form of sales of agricultural products especially in periods when supply significantly exceeds demand for agricultural products.

To expand carrying out leasing operations with state participation who has to act as a measure of the state support of agrarian and industrial complex. Banks of the second level have to take agricultural machinery in it active part, as guarantors providing in leasing.

Important role have insurance actions for insurance of a crop of crops, animals and a bird, investments into agro-industrial production. Insurance system in the agricultural sector should be stimulated by the equity participation of the state budget expenditures in agricultural enterprises and farms insurance. Development and indicative budget planning must address the state regulation of agricultural development through the adoption of the program budget, which provides for the allocation of public funds for the needs of agriculture[10].

For the purpose of providing subjects of agribusiness of access to modern technologies and the advanced scientific development in agrarian and industrial complex need to continue work on reforming of domestic system of agrarian science.

The ultimate goal of reform should be to build a sustainable system of generation and propagation of competitive innovation in agriculture. The main

directions of reforming the national agricultural science should be:

1) Construction of a new control system of agricultural research on the model of leading manufacturers and exporters of agricultural products, focused on the close collaboration between industry and university science, integration into the global scientific system, the use of integrated scientific and technological programs with effective mechanisms of interaction between research organizations actors and agribusiness;

2) The gradual bringing public funding of national agricultural research systems to the level of countries - technology leaders - not less than 2% of the gross domestic product industry;

3) Should be the new personnel policy, helps to attract talented youth agricultural science and create the conditions for the implementation of the most promising professional researchers;

4) Requires a gradual modernization of infrastructure of research and experimental development organizations to improve the quality of research, forming their own technology platforms in priority areas of agribusiness.

For formation of new scientific and innovative system of generation and distribution of the advanced knowledge in the agrarian and industrial complex sphere with the results corresponding to the best world analogs, it is necessary to continue work on creation of scientific and educational complexes (centers) of the international level.

Along with this, it is necessary to improve the system of transfer and commercialization of agricultural technologies for enhancing innovation in agribusiness by increasing investment opportunities subjects' agribusiness, expanding their coverage extension systems. Significant assistance in this direction is necessary on the part of the Food and Agriculture Organization of the United Nations (hereinafter - FAO), which contributes to FAO member countries in providing advice in the development of agricultural policy, technical assistance, information and advisory services in agricultural production[11].

FAO is currently pursuing a policy to decentralize the organization structure to FAO experts worked directly in the member countries themselves, which will respond quickly to changes in agricultural policy, together with governments to develop recommendations and identify priorities for the development of agriculture, taking into account specificity region. In this regard, it is necessary to open a representative office in Kazakhstan FAO, which provides an opportunity to promptly seek advice from qualified professionals in the agricultural development of agricultural policy, technical and

consulting assistance in the priority areas of agribusiness. Besides activities FAO Representation in Kazakhstan should be directed to the implementation of regional projects with the participation of the Republic of Kazakhstan, aimed at solving cross-border problems.

For maintenance of effective feedback between subjects of agrarian and industrial complex and government institutions, agrarian science and system of professional education providing the free consulting help of SHTP within system of dissemination of knowledge is necessary[12].

In the modern period the world population growth to intensive growth and food consumption while increasing scarcity of water, land, energy resources, which will lead to an increase in food prices. Overall, by 2020 the world population will be 7.6 billion people, grow by 600 million people, compared with 2011. Change the structure of food consumption: increase the share of consumption of meat, milk and dairy products, fish, vegetables and fruits. The main challenge facing agriculture in the world is to increase production by 70% by 2050 Achieving this goal is difficult due to slowing growth in crop yields and limited water resources. There is a process of desertification and degradation of farmlands. According to United Nations programs (hereinafter - the UN) Environment degradation affect a third of arable land, which subsequently negatively affect the livelihoods of more than 1 billion people in more than 100 countries[13].

In 1998, at a meeting of representatives of developed countries included in the Organization for Economic Cooperation and Development (hereinafter - OECD), an agreement was reached on joint principles of the state policy in the agricultural sector, according to which the applicable government policy should have the following character:

1) Transparency: have clearly defined objectives, costs, benefits and beneficiaries;

2) Performance: clearly defined results;

3) Optimality: costs should be the minimum necessary to achieve clearly defined results;

4) Flexibility: to reflect the diversity of situations in agriculture, be ready to react to changes in the objectives and priorities, and to be applicable throughout the time necessary to achieve results;

5) Equivalence: take into account the effects of the distribution of support between sectors, farmers and regions[14].

The OECD believes that public policy support for agriculture should take into account the rapidly growing global demand for food, market fluctuation and volatility of global markets. The recommendations of this organization, findings from recent studies (2011), based on statistical analysis of

OECD countries, as well as Brazil, China, Russia, Ukraine and South Africa, it is proposed in the development of agricultural policy focus moved from state subsidies for investments to increase productivity, rational use of resource[15].

Synthesis of experience of support of agriculture by various countries of the world showed that the majority of the countries use subsidizing as the key instrument of support of agricultural production. However the leading export countries of agricultural products (Australia, New Zealand, Argentina, Brazil, etc.) don't support direct subsidizing of producers[16].

In used systems of subsidizing of the developed countries it is possible to allocate the following main forms of state regulation of agro sector: support of the prices (USA), support of the income through payments on hectare and a livestock of cattle (EU countries), support of the income through payments on the basis of historical level of the income (Canada) and preferential modes of crediting (Brazil). From the standpoint of administration most simple kind subsidies are payments per hectare or livestock[17].

On an indicator of level of support of agrarian sector of economy Kazakhstan is at the average level in relative indicators. The general support of agriculture in this case includes both payments to agricultural formations from the budget, and indirect measures of support (for example, tariff protection)[18].

Now within the World Trade Organization (further - the WTO) tendencies on refusal of direct measures of the state support of agriculture dominate. Increasingly important in the WTO and in the global agro-food markets acquire the Cairns Group countries (Argentina, Australia, New Zealand, Canada and others) that have a minimum level of direct subsidies in agriculture and develop the industry by increasing competitiveness and efficiency. Experience Cairns Group countries that do not use direct support of agricultural production, shows higher growth in total factor productivity in the period after the abolition of subsidies[19].

In relation to Kazakhstan this suggests that each country develops its system of agricultural support, as long as this support has stimulated manufacturers increased the productivity of the land and animals, stimulated exports.

The analysis of current trends of development of the countries conducting in the agrarian relation showed that further development of agrarian and industrial complex of Kazakhstan has to be guided by increase of competitiveness of agricultural production due to increase of efficiency of the state support and

creation of equal favorable conditions for agribusiness development.

## Conclusions

1. In the reform of the country's agricultural sector important role belongs to the state regulation of agriculture development to support agricultural producers, ensure sufficient food for residents of the republic, and ensure food security of the country.

2. In research identified which are regulatory in nature and are carried out in the following areas:

- development of target complex programs, which is an important factor of the state influence on the development of scientific and technical progress in agriculture, maintaining the country's food security.

- the price policy providing a combination of free market prices, regulation of guaranteed prices and grants and subsidies for separate types of agricultural products.

- the budgetary and credit policy directed on regulation of monetary and credit resources.

- the state orders of agricultural production, raw materials and the food which are urged to provide efficiency of purchases for the state needs. They also are the guaranteed form of sale of production of agriculture especially during the periods when the offer significantly exceeds demand for agricultural products.

- conducting leasing operations with state participation which should serve as a measure of state support for agribusiness. Banks of the second level participate in it also, providing in leasing agricultural machinery.

- conducting insurance activities for crop insurance, animals and birds, investment in agribusiness.

3. Analyzing the situation of state regulation of the republic's agriculture can conclude that it is necessary continue it to carrying out taking into account the following factors: Equalization of level of regional development, ensuring economic growth in agriculture; ensuring balance of level of the income of all groups of the population with the cost of the minimum consumer basket for the purpose of achievement of economic availability of food; implementation of measures to reduce dependence of food market from imported, ensuring volume of internal production of the main food of not less threshold value.

4. Analyzing the situation of food security for the country's population by 2012, it was concluded that specific measures are needed to eliminate shortcomings: ensuring economic growth in agriculture; implementation of measures to reduce dependence of food market from imported, formation

of effective system of agribusiness by development of the land relations and agricultural water use, improvement of a condition of seed farming, restoration of agrochemical service, providing with agricultural machinery, agricultural mechanical engineering development, protection and quarantine of plants and animal husbandry (breeding business, veterinary science, meat and dairy cattle breeding).

**Prospects of the subsequent** development in matters of state regulation of agriculture are offered based on the following main areas:

- combination of the economic and social tasks providing the decision not only problems of development of agricultural production and the sphere of its service, but also the solution of social problems.

- in the Republic of Kazakhstan the most important is to increase level of material security and taking measures to employment increase in agriculture, considering existence here rather high unemployment;

- the economic incentives of production based on revision of the price and financial and credit mechanism. This direction is based first of all on restoration of parity of the prices, on protection of interests of rural producers against monopolism of other spheres of agrarian and industrial complex - the first and the third, dictating economically unprofitable conditions of an intersectoral exchange;

- the program regulation based on definition and realization of the strategic directions of development of branches of agricultural production.

- the budgetary support the most priority directions of development cooperation, formation of multistructure agrarian sector with a reasonable ratio of various forms of land under the leadership of large agricultural enterprises which have kept the production potential (farmland, production facilities, equipment, perennials, livestock, skills) and in a bigger measure corresponding to historically developed communal, collective mentality of the peasantry of the republic.

- government support for the priority directions of development of agricultural production, determining the scientific and technical progress (selection and seed farming, breeding business, biotechnology).

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