

National Fund in the Formation and Use of Financial Resources of Kazakhstan

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Abstract. *The issues of formation and use of funds of the National Fund of the Republic of Kazakhstan as financial resources of the state, features of the formation and use of funds as financial resources of the state are considered. In addition, an analysis was made of the income from the use of funds in the National Fund of the State for the period 2019 – June 2022. A mechanism for managing the National Fund of the Republic of Kazakhstan is proposed, taking into account the strategic directions for the development of society. On the basis of the analysis carried out, measures are proposed to increase the investment attractiveness of the subsoil complex of Kazakhstan. In conclusion, mechanisms are given for improving the model of management and use of the funds of the National Fund of the Republic of Kazakhstan.*

Keywords: *national fund, savings function, stabilization function, oil revenues, transfer, mining complex, comparative analysis, planning, economic growth, state budget, cash receipts.*

Introduction

At present, the state of the state economy is largely determined by the situation in the natural resources sector. The current dependence of the receipts of funds to the republican budget on natural resources in front of our state has identified a number of problems that are associated with its future development:

- more accurate planning of the use of natural resources due to their irreplaceability;
- reducing the dependence of government revenues and expenditures on sharp and unpredictable jumps in world prices for natural resources.

To implement these issues, the Decree of the President of the Republic of Kazakhstan dated August 23, 2000, No. 402 «On the National Fund of the Republic of Kazakhstan» established the National Fund (hereinafter NF).

In the Concept on the formation and use of the NF funds (Decree of the President of the Republic of Kazakhstan dated December 8, 2016 No. 385), the main focus of its creation is the saving of financial resources through the formation of savings for future generations and reducing the dependence of the republican budget on the situation in the world commodity markets through implementation in the

period from 2018 to 2030 the following tasks:

- stabilization of NF assets and prevention of further reduction;
- ensuring a balanced budget and reducing the dependence of the budget on oil revenues, reducing the non-oil deficit;
- improving the efficiency of NF asset management [1].

In a number of countries of the world, such as Kuwait, Oman, Chile, there are stabilization or savings funds, the funds of which are used to create strategic financial reserves in unfavorable periods due to fluctuations in prices for certain types of natural resources, where revenues are the main items of income, and also for the repayment of external debt and for other purposes. The experience of countries that specialize in raw materials exports shows that the governments of such countries, whose budgets are exposed to the influence of world prices, have the opportunity to take advantage of periods of high prices for raw materials to accumulate excess revenues.

Brief overview of the theoretical basis of the study

Being the State Fund of the Republic of Kazakhstan, the NF is a set of financial assets

concentrated on the account of the Government of the Republic of Kazakhstan in the National Bank of the State, as well as in the form of other property, with the exception of intangible assets.

The country's NF is designed to ensure the efficient distribution and use of revenues from natural resources.

There is experience in the world of creating such funds, there are more than 30 of them, which have different functioning mechanisms. The fund of our country is built on the experience of the oil fund of the Kingdom of Norway.

The activities of the NF are savings and stabilization. To perform the savings function, a minimum balance in the fund is established, and its maximum size is not limited. The implementation of this function involves the provision of a guaranteed fixed transfer to the republican budget, the volume of which should not exceed one third of the assets of the National Fund of the Republic of Kazakhstan as of the end of the financial year preceding the year of development of the republican budget [2].

For transparency in the distribution of the funds of the National Fund, it was determined that they would be directed to the state economy only through the republican budget.

Research methodology

The activities of the National Fund of the Republic of Kazakhstan arose from the sale of the state share in the joint venture Tengizchevroil, the amount of the share, taking into account capitalization, then amounted to 674.38 million US dollars. All funds in 2000 were credited to the National Fund of the country (officially and legally).

During its history, 62.4 trillion tenge was generated, including 36.2 trillion tenge – oil revenues, 25.5 trillion tenge – investment income from management, taking into account exchange rate adjustment (19.8 trillion tenge) [3].

The fixed assets of the NF are invested in foreign exchange and debt assets outside the national jurisdiction. At the same time, there is no comprehensive assessment of the long-term negative consequences for the national economy of unlimited withdrawal of funds from the National Fund of the Republic of Kazakhstan, including from the point of view of hidden capital outflow from the country when investing the funds of the National Fund in foreign debt and foreign exchange assets.

Consider the current results of using the NF RK. According to the report on the formation and use of the National Fund of the Republic of Kazakhstan, as of June 1, 2022, the amount of funds in the National Fund of Kazakhstan

amounted to 30.114 trillion tenge, an increase over the first half of 2022 by 6.7% or 1.7 trillion tenge (as of January 1, 2022, 28.213 trillion tenge), due to a decrease in the foreign currency part of assets (-6% or \$3.4 billion) due to the revaluation of financial instruments.

Against the backdrop of a significant increase in oil prices, receipts in the National Fund since the beginning of 2022 amounted to 2.9 trillion tenge, an increase of almost 3.5 times compared to the same period last year.

From the beginning of the creation of the fund and as of May 31, 2022, the average annual yield was 3.24%. In general, the yield in annual terms over the past 5 and 10 years was determined at around 2.30% and 1.75%, respectively [4].

In Figure, we visually present the structure of receipts from the National Fund of the Republic of Kazakhstan for the first half of 2022.

The Republic of Kazakhstan invests the received oil revenues in various financial instruments, mainly in assets denominated in hard currency.

The total value of the foreign exchange assets of the National Fund as of August 31, 2022 was \$53.874 billion, having increased by \$0.774 billion over the past month. and the value of assets denominated in tenge (mainly government bonds of the Republic of Kazakhstan), in terms of dollars, was only 1.65 billion tenge [5].

The analysis shows that in the first half of 2022, high energy prices contributed to the high, over the past 5 years, growth in tax revenues to the consolidated budget, which amounted to 1.4 trillion tenge and, together with the unused volume of attracted loans (0.5 trillion tenge), replenished budget surpluses.

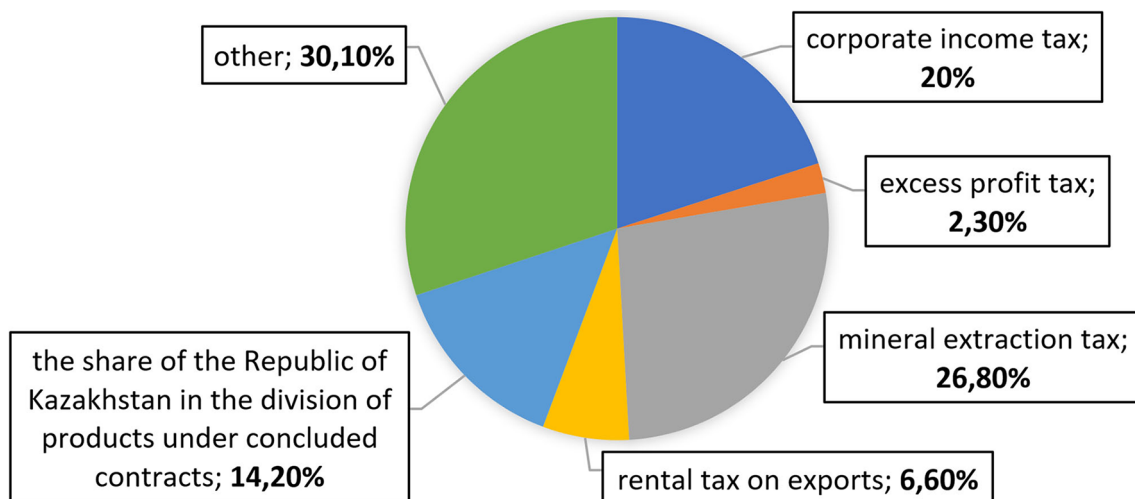
By the end of 2022, another 7.6 trillion tenge of taxes are expected to enter the consolidated budget, while maintaining the average annual oil price at \$90 per barrel (at the current price of \$102.0 per barrel) and the dollar exchange rate of 460 tenge (at the current exchange rate). 477 tenge/USD) [6].

Consider the use of the National Fund for the period 2019-2021, presented in Table 1.

In 2021, the amount of revenues to the republican budget from the NF amounted to almost 4,500 billion tenge, including 59% in the form of a guaranteed transfer.

Until January 1, 2021, the guaranteed transfer from the NF was allocated without a designated purpose. In the minutes of the meeting of the NF Management Council, it was decided to use this transfer for the payment of solidarity pensions, state basic pension payments from the republican budget.

In 2021, guaranteed transfer funds in the amount of 2,700 billion tenge were allocated



Structure of receipts to the National Fund of the Republic of Kazakhstan for the first half of 2022

Table 1 – Dynamics of the use of funds of the National Fund of the Republic of Kazakhstan for the period 2019-2021

№	Name	(billion tenge)		
		years		
		2019	2020	2021
1	Use of funds from the National Fund	3084	4785,1	4519
2	Guaranteed transfer to the republican budget from the National Fund	2700	4770	2669,7
3	Targeted transfer to the republican budget from the National Fund	370	0	1830,3
4	Expenses related to the management of the National Fund and the annual audit	14	15,1	19

to the Ministry of Labor and Social Protection of the Population under the budget program 027 «Social security for certain categories of citizens and their support for payments», including for:

- solidarity pensions in the amount of 1,880.7 billion tenge
- state basic pension payments in the amount of 819.3 billion tenge,
- 1,830.3 billion tenge in the form of a targeted transfer.

The costs associated with the management of the National Fund and the annual audit in 2021 amounted to 19 billion tenge.

In 2021, the targeted transfer from the fund was distributed to 71 directions for 126 budget programs (subprograms), about 1860 investment projects were financed in the amount of 818.7 billion tenge (an average of 440 million tenge per 1 project).

Thus, the nature and share of expenses covered by the National Fund indicate that it is used solely as an additional source of covering

the budget deficit without a target for economic growth and reducing the dependence of the republican budget on the situation on world commodity markets [7].

The data on the use of the NF for the first half of 2022 showed that guaranteed transfers amounted to 1,705 billion tenge, targeted transfers – 160 million tenge, covering the costs associated with managing the Fund and conducting an annual external audit – 3.3 billion tenge [8].

Research results

The scientific literature discusses the mechanisms for using the National Fund of the Republic of Kazakhstan.

Table 2 presents comparative data of the existing and proposed mechanisms for using the NF funds, from which it can be seen that, based on the directions of development of the mechanisms for using the NF of the RK, it is proposed to increase the share of investment by domestic economic entities [9].

Table 2 – Comparative characteristics of the existing and proposed asset management mechanisms of the National Fund of the Republic of Kazakhstan

Assets of the National Fund	Existing mechanism	Proposed concept
Savings portfolio	<ul style="list-style-type: none"> - Sub-portfolio – 75%: bonds and other instruments; - Subportfolio – 25%: shares of foreign companies 	<ul style="list-style-type: none"> - Shares of international companies – 15%; - Shares of domestic enterprises – 35%; - Foreign bonds – 2%; - Domestic bonds – 35%; - Real estate – 10%
Stabilization portfolio	<ul style="list-style-type: none"> - Transfer to the state budget (no more than 8 billion US dollars) 	<ul style="list-style-type: none"> - Transfer to the state budget; - Transfer to local budgets; - Development of the non-primary sector; - Support for SMEs; - Development of the social sphere

It is proposed to distribute the funds of the fund's savings portfolio as follows:

- shares of international companies – 15%;
- shares of domestic enterprises – 35%;
- foreign bonds – 15%;
- domestic bonds – 35%;
- increase revenues to the fund for the development of the non-resource sector and the fund for supporting the social sphere.

It is necessary to strengthen the targeted use of natural rent, which, in order to have the potential for its own replenishment, should be further developed in the form of ongoing appraisal and other work on the further development and reproduction of the country's mineral resource base, provide an opportunity for geological study and development of areas in order to discover new deposits, to increase the inflow of investments of companies' own funds into the subsoil complex.

Withdrawal of natural rent in favor of the state will not change the situation fundamentally, unless the investment policy of distribution and use of NF funds is changed at the same time.

In the future, the existing capacities of the non-mining sector of the economy of the republic may not satisfy the growing needs of the country's economy due to a possible decrease in the reproductive capacity of the mineral resource base, its long industry investment cycle, depreciation and disposal of fixed assets, and the potential growth of the needs of the Kazakhstani economy. Corporations that extract oil have huge profits that are not directed to geological exploration, but are exported abroad in the form of accumulated super profits. The state should create incentives for such investments by subsoil user companies. When concluding contracts, it is necessary to establish requirements for maintaining certain volumes of reserves, as well as investing de-

preciation in the development of production in the territory of our republic.

In this regard, the subsoil complex of Kazakhstan requires the implementation of the following measures:

- attracting investments for the reproduction and development of the mineral resource base;
- renewal of fixed assets in the mineral resource sector with the use of the latest advances in engineering and technology;
- use of depreciation fund funds exclusively for their intended purpose;
- increasing the economic efficiency of the production and marketing activities of non-mining companies, reducing costs in the areas of production, distribution and marketing of hydrocarbons;
- improvement of the financial condition of the mineral resource complex;
- ensuring full financial transparency of the activities of non-mining enterprises in order to fully identify the entire amount of rental income received by them.

In general, in order to enhance the use of the National Fund of the Republic of Kazakhstan for sustainable development, it is necessary to improve the model for managing and using the funds of the National Fund of the Republic of Kazakhstan.

Head of State K.K. Tokayev in his Message to the people of Kazakhstan «A Just State. United nation. A prosperous society», voicing the implementation of the new program «National Fund for Children», put forward an initiative to deduct 50% of the annual investment income of the NF to special savings accounts for children until they reach the age of majority without the right to early withdrawal. The accumulated funds will be used to purchase housing and education. According to the calculations of the National Bank and the govern-

ment, taking into account the birth rate in the country on average 400,000 children, by the 18th birthday, at least 3,000 US dollars will be accumulated on the individual account of each child [10].

Conclusion

Thus, NF is a set of financial assets concentrated on the account of the Government of the Republic of Kazakhstan in the National Bank of the State, as well as in the form of other property, with the exception of intangible assets.

The functions of the NF are savings and stabilization. To perform the savings function, a minimum balance in the fund is established, and its maximum size is not limited. The implementation of this function involves the provision of a guaranteed fixed transfer to the republican budget, the amount of which should not exceed one third of the assets of the National Fund of the Republic of Kazakhstan as of the end of the financial year preceding the year of development of the republican budget.

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The fixed assets of the NF are invested in foreign exchange and debt assets outside the national jurisdiction. At the same time, there

is no comprehensive assessment of the long-term negative consequences for the national economy of unlimited withdrawal of funds from the National Fund of the Republic of Kazakhstan, including from the point of view of hidden capital outflow from the country when investing the funds of the National Fund in foreign debt and foreign exchange assets.

The nature and share of expenses covered by the National Fund indicate that it is used solely as an additional source of covering the budget deficit without a target for economic growth and reducing the dependence of the republican budget on the situation on world commodity markets.

In this regard, the scientific literature discusses the mechanisms for using the National Fund of the Republic of Kazakhstan.

In general, in order to enhance the use of the National Fund of the Republic of Kazakhstan for sustainable development, it is necessary to improve the model for managing and using the funds of the National Fund of the Republic of Kazakhstan.

President of the Republic of Kazakhstan K.K. Tokayev proposed a new program called the National Fund for Children, which would result in the accumulation of at least \$3,000 on each child's individual account by their 18th birthday, which they can use to purchase housing and receive education.

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Қазақстанның қаржы ресурстарын қалыптастыру мен пайдаланудағы Ұлттық қор

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Андатпа. Мемлекеттің қаржылық ресурстары ретінде Қазақстан Республикасы Ұлттық қорының қаражатын қалыптастыру және пайдалану мәселелері, ерекшеліктері қарастырылады. Сондай-ақ, 2019-2022 жылғы маусым аралығындағы кезеңде Ұлттық қордағы қаражатты пайдаланудан түскен кірістерге талдау жасалды. Қоғамды дамытудың стратегиялық бағыттарын ескере отырып, Қазақстан Республикасының Ұлттық қорын басқару тетігі ұсынылып отыр. Жүргізілген талдау негізінде Қазақстанның жер қойнауы кешенінің инвестициялық тартымдылығын арттыру шаралары ұсынылады. Қазақстан Республикасы Ұлттық қорының қаражатын басқару мен пайдалану моделін жетілдіру тетіктері келтірілген.

Кілт сөздер: ұлттық қор, жинақтау функциясы, тұрақтандыру функциясы, мұнай түсімдері, трансферт, тау-кен емес кешен, салыстырмалы талдау, жоспарлау, экономикалық өсу, мемлекеттік бюджет, ақшалай түсімдер.

Национальный фонд в формировании и использовании финансовых ресурсов Казахстана

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Аннотация. Рассмотрены вопросы формирования и использования средств Национального фонда Республики Казахстан в качестве финансовых ресурсов государства, особенности формирования и использования средств в качестве финансовых ресурсов государства. Кроме того, проведен анализ поступлений средств в Национальный фонд государства за период 2019 – июнь 2022 года. Предложен механизм управления Национальным фондом РК с учетом стратегических направлений развития общества. На основе проведенного анализа предложены мероприятия по повышению инвестиционной привлекательности

недродобывающего комплекса Казахстана. В заключение даны механизмы совершенствования модели управления и использования средств Национального фонда РК.

Ключевые слова: национальный фонд, сберегательная функция, стабилизационная функция, нефтяные доходы, трансферт, недродобывающий комплекс, сравнительный анализ, планирование, экономический рост, государственный бюджет, денежные поступления.

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