



Deutsch-Kasachischer Agrarpolitischer Dialog  
Германо-Казахстанский аграрно-политический диалог

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# Kazakhstan's agricultural subsidy system in the light of international experience

Roundtable workshop Nur-Sultan 9 December 2021

# Outline of argument

Kazakhstan pursues a strong agricultural modernisation strategy

Kazakhstan's productivity growth ahead of Russia & Ukraine after 2013, but at high budgetary costs

## Implications:

- Support to fixed capital formation potentially more effective than input subsidies
- Recommendation to engage in deeper reforms of agricultural finance, knowledge management, local policy administration, policy monitoring

# KAZAKHSTAN-2050 STRATEGY SEVEN PRIORITIES



- 1 ESTABLISH ECONOMIC POLICY based on profitability, competitiveness, and modernization
- 2 DRIVE PRIVATE SECTOR GROWTH through support for entrepreneurship and small and medium enterprises
- 3 USHER IN NEW GUARANTEES IN SOCIAL, health and labor policy with emphasis on personal responsibility
- 4 MODERNIZE EDUCATION AND PROFESSIONAL skills training in science, technology, engineering for the jobs of the future
- 5 CONTINUE TO IMPLEMENT DEMOCRATIC REFORMS, local self-governance, transparency and open government
- 6 FURTHERING MULTI-VECTORED FOREIGN POLICY that promotes regional and global security, balanced economic development and trade
- 7 RENEWED KAZAKHSTANI PATRIOTISM celebrate our history, kazakh culture and our modern society of diverse ethnicities, faiths and cultures



**3X INCREASE**  
IN NON-ENERGY EXPORTS



**10X INCREASE**  
IN THE AVERAGE SIZE  
OF PENSION PAYMENTS



**50% OF ALL ENERGY**  
CONSUMPTION TO COME  
FROM THE GREEN ECONOMY



**91% OF ALL GOVERNORS**  
AND MAYORS WILL BE ELECTED,  
NOT APPOINTED



# Modernisation focus of sector development strategies

- Productivity increases
- Boosting exports (esp. livestock, high value products)
- Ensuring national food security
- Rural income growth
- Increase efficiency of resource use (land, irrigation)
- Technical modernisation (mechanisation, digitisation)

State Programmes of Agro Industrial Complex Development, various editions.

# Guiding questions

- How did Kazakhstan's sector development fare in comparison to its peers Russia & Ukraine?
- What can be learned from agricultural subsidy reform in Kazakhstan, Russia, Ukraine (KRU)?
- How does recent reform relate to other international experience?

# 2013 as a pivot year for comparison

- **Kazakhstan**: First year of Agribusiness 2020, 1st ag sector strategy after “Kazakhstan 2050”
- **Russia**: First year of 2nd State Programme for Agriculture, priority on import substitution
- **Ukraine**: Major policy reorientation after Euromaidan events 2013/14, market liberalisation

# Analytical dimensions

## Sectoral indicators by country

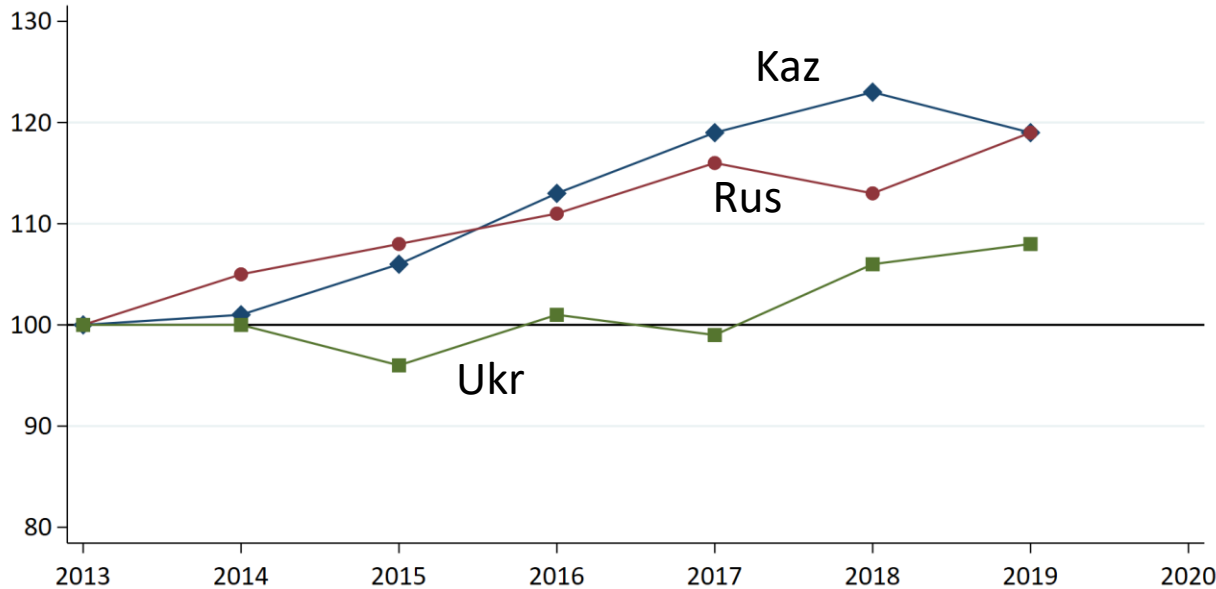
- Agricultural output
- Livestock production

## Public support measures

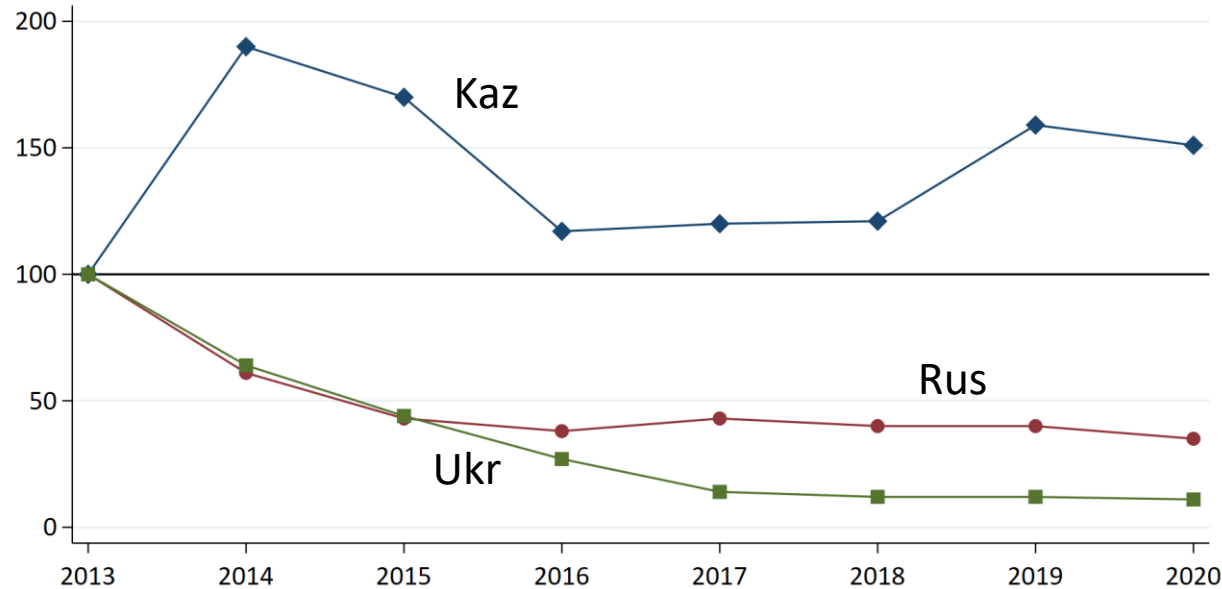
- Subsidies to agricultural producers (transfers, preferential credit)
- Market price policy (tariffs, taxes)
- Support to services in agriculture (knowledge generation & transfer, inspection, infrastructure)

Based on FAO & OECD data.

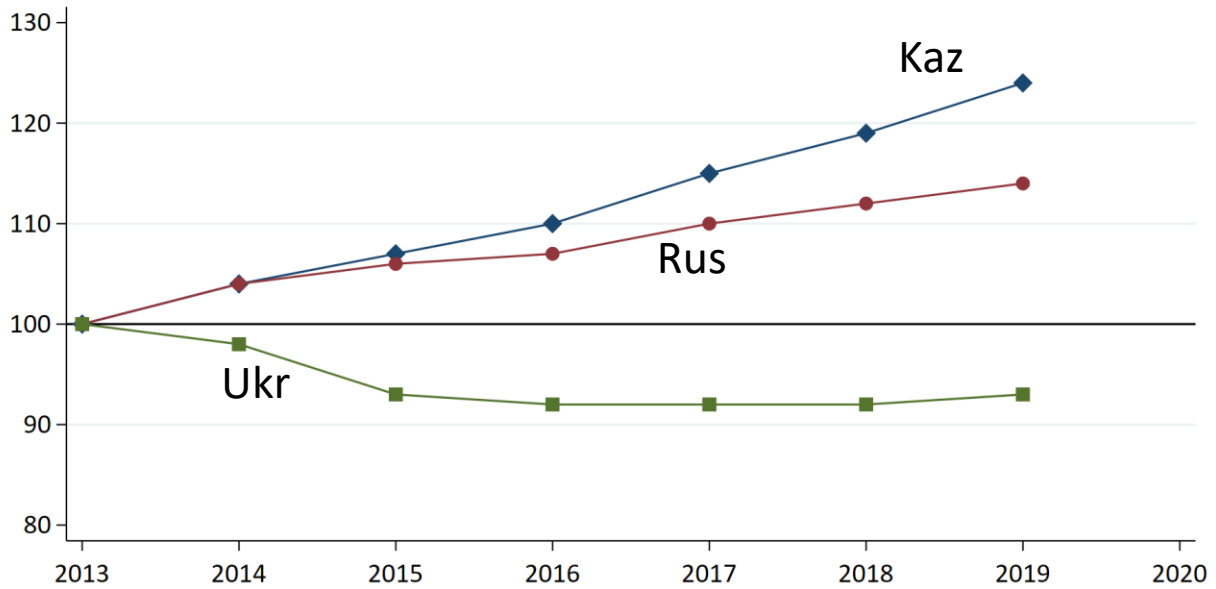
### Agricultural output



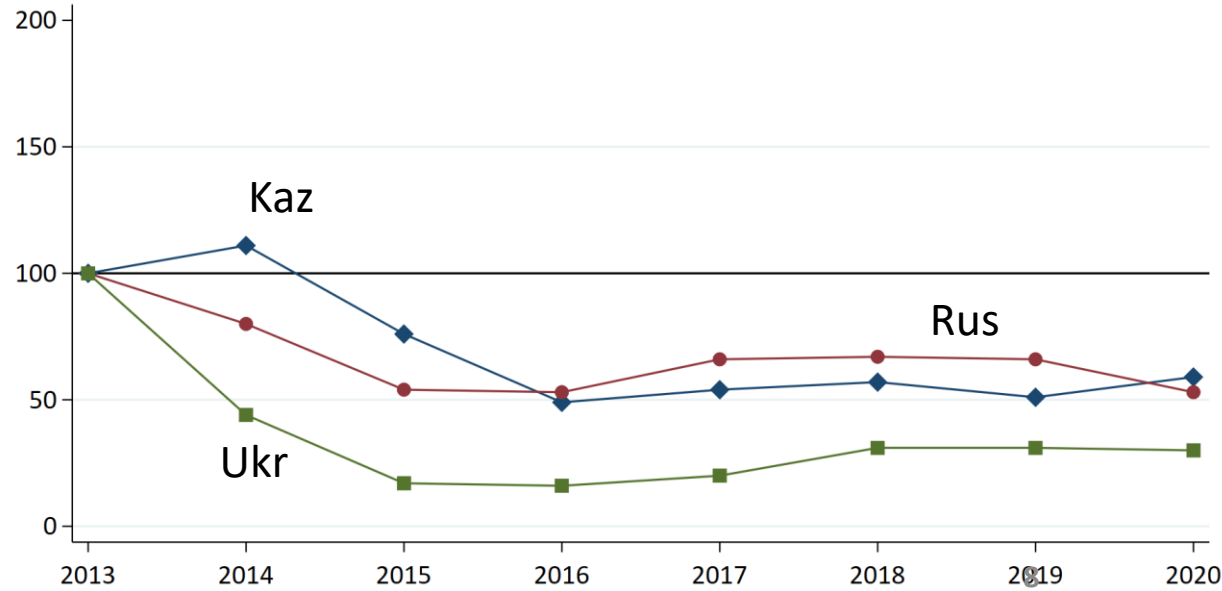
### Producer subsidies



### Livestock production



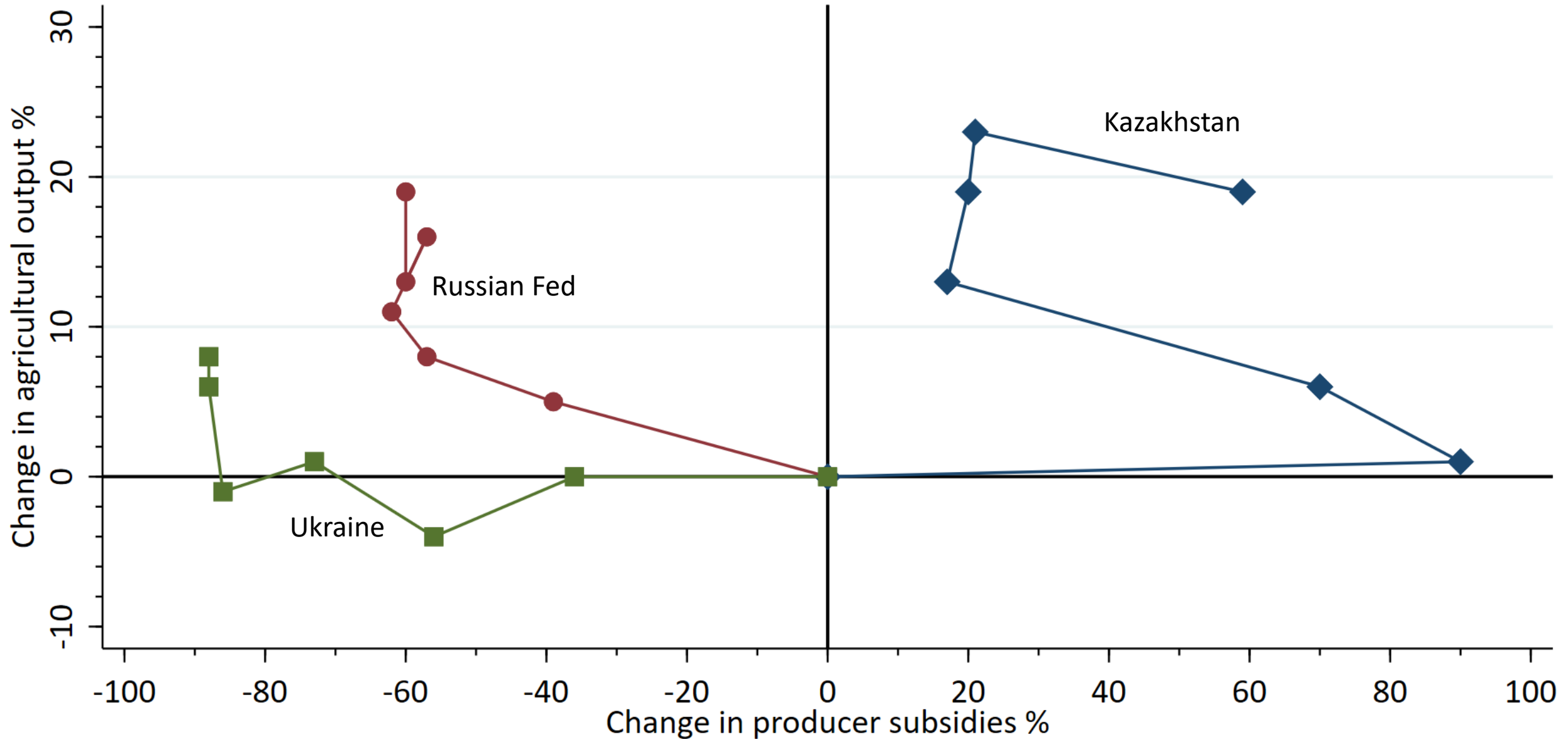
### Support to services



Source: author based on FAO, OECD.



# Agricultural output change following subsidy change after 2013



Source: author based on FAO & OECD data.

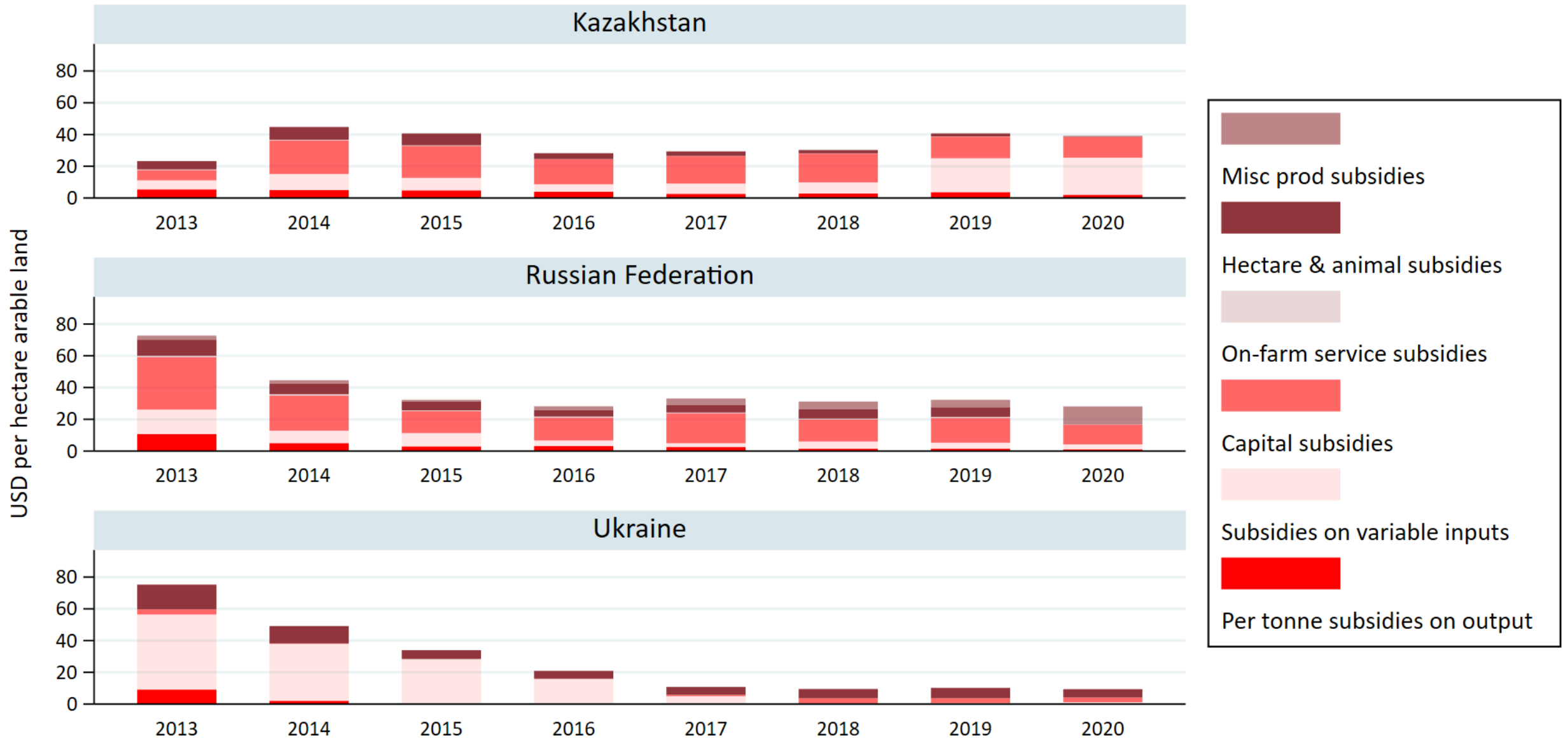
# Surprisingly different outcomes post 2013

Country	Producer subsidies	Agricultural output
Kazakhstan	++	++
Russian Federation	-	+
Ukraine	--	0

# Potential explanations

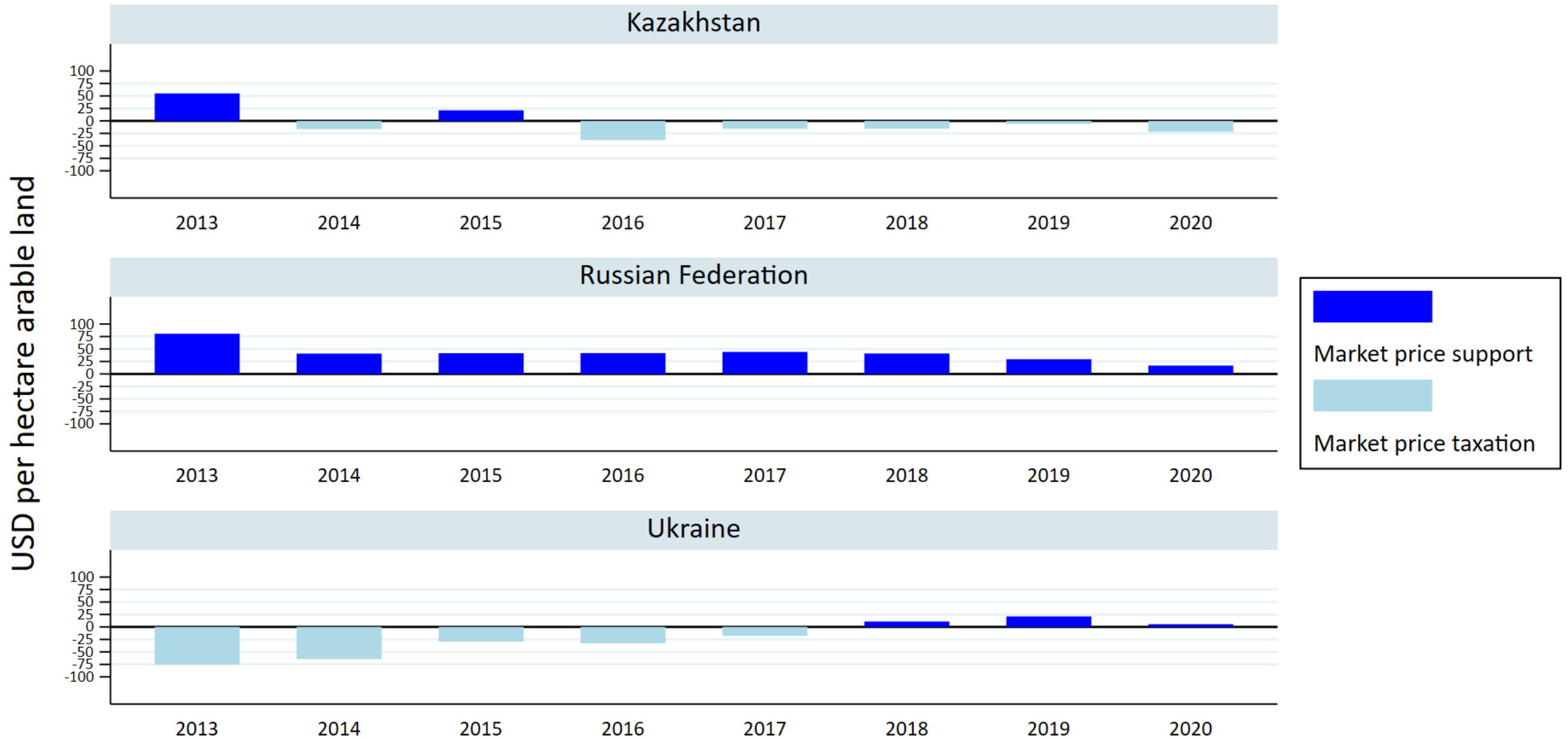
- Not the level but **type of subsidies** matters (and how it is administered)
- No significant subsidy effects at all, need to look for other output determinants (see below)

# Subsidies to agricultural producers



Source: Author based on OECD data.

# Market price support



Source: Author based on OECD data.

# Evolution of subsidy portfolio in KRU post 2013

- Kazakhstan **phased in capital subsidies** & (later) input subsidies
- Russia eliminated variable input subsidies, but **kept capital subsidies**; border protection for livestock & sugar
- Ukraine phased out subsidies almost completely (VAT input subsidy regime), but also taxation

# Problems with credit subsidies

- **Credit rationing**, lenders unwilling to fund risky businesses, credit subsidies disguise lack of competitiveness
- **Credit diversion** (fungibility) to other uses than intended by government (e.g. consumption)
- **Lack of targeting**, farmers with most profitable projects cannot access subsidies
- **Lacking additionality**, subsidies support projects that would have been carried out anyway

Petrick / Oshakbaev / Wandel 2017, More Than Pouring Money Into an Ailing Sector? Farm-level Financial Constraints and Kazakhstan's 'Agribusiness 2020' Strategy [https://doi.org/10.1007/978-3-319-33239-0\\_7](https://doi.org/10.1007/978-3-319-33239-0_7).

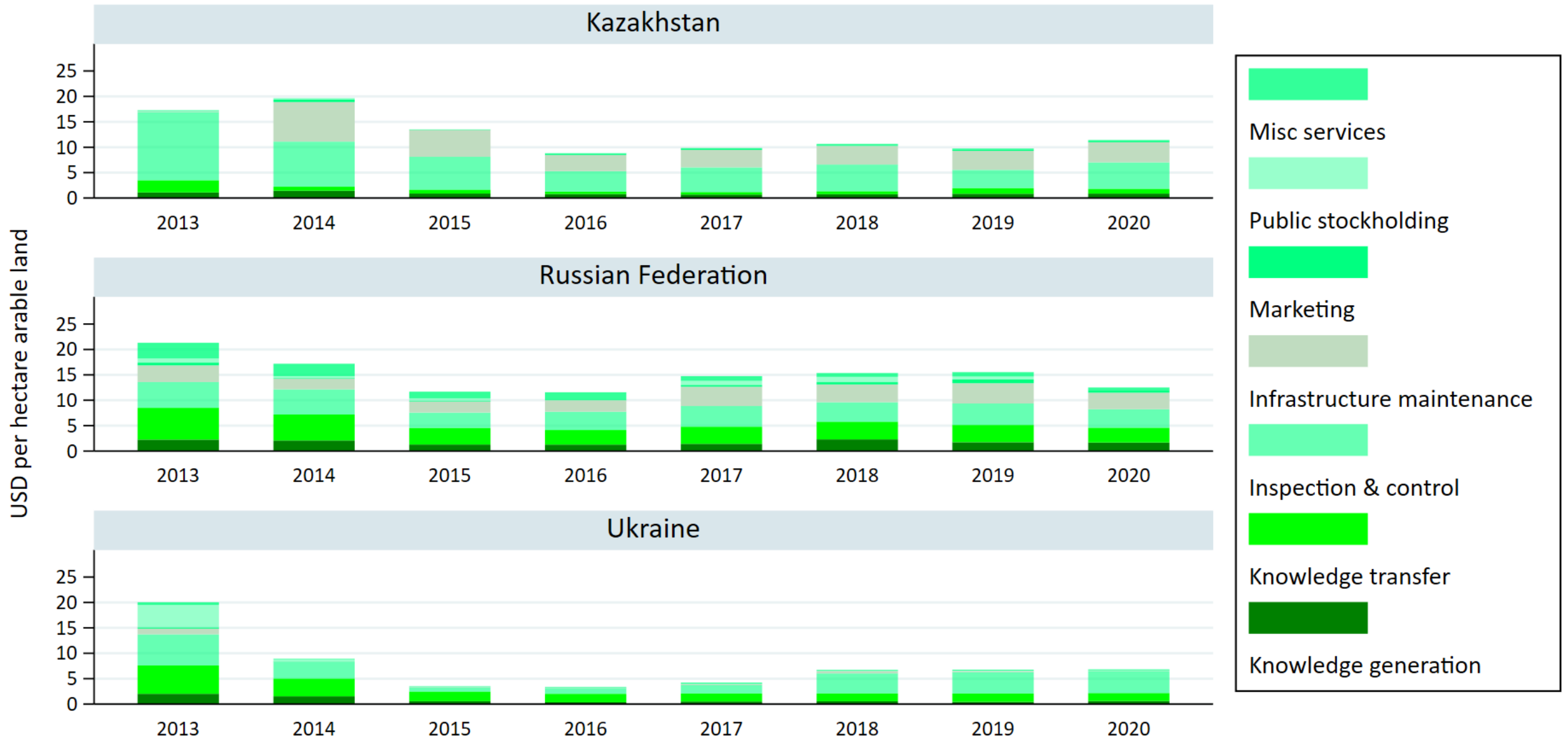
# Other ways to promote output growth

- Agricultural finance reform, let producers tap private credit sources
- Enhance innovation & knowledge management
- Build capacity for local policy making
- Reduce policy uncertainty
- Improve policy monitoring & transparency

Petrick / Raitzer / Burkitbayeva 2018: Policies to Unlock Kazakhstan's Agricultural Potential, ADB, <https://dx.doi.org/10.22617/TCS189413-2> .



# Public support to agricultural services



Source: Author based on OECD data.

# Conclusions

- Kazakhstan's agricultural output growth exceeds that of peers
- Comes at higher cost for government – efficiency of subsidy portfolio?
- Scrutinise implementation & administration esp. of credit subsidies
- Consider alternative ways of promoting growth, e.g. increase funding of knowledge management, support local policymaking
- Improve policy monitoring & evaluation

# Further reading

OECD (2021): Agricultural Policy Monitoring and Evaluation 2021: OECD.  
<https://doi.org/10.1787/2d810e01-en>

Petrick, M. (2014): Modernizing Russia's Cattle and Dairy Sectors under WTO Conditions: Insights from East Germany. In *Mir Rossii (Universe of Russia)* 23, pp. 125–147. <https://mirros.hse.ru/article/view/4952>.

Petrick, M.; Raitzer, D.; Burkitbayeva, S. (2018): Policies to Unlock Kazakhstan's Agricultural Potential. In Anderson, Capannelli, Ginting, Taniguchi (Eds.): *Kazakhstan. Accelerating Economic Diversification*. Manila: ADB, pp. 21–72.  
<https://dx.doi.org/10.22617/TCS189413-2>

Rodrik, D. (2008): Industrial policy: don't ask why, ask how. In *Middle East Development Journal* 1, pp. 1–29. <https://doi.org/10.1142/S1793812009000024>.



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**Thank you for your attention!**