

ABSTRACT

**to the thesis of Beisembekova Sabina Khalilullayevna
on the topic: “Public Administration of Subsoil Use in
the Republic of Kazakhstan”
for the Doctor of Philosophy Degree (PhD)
in the educational program “8D04103 - State and Local Government”**

The Relevance of Research. The problems of public administration of the mineral industry of Kazakhstan are important in economic science and one of its central problems.

For the economy of the republic, the substantiation of theoretical and methodological approaches to the study of subsoil use public administration of Kazakhstan in modern conditions with a view to their practical implementation is currently relevant. Subsoil use is considered as an element of state economic policy, in which ensuring its public administration is of particular importance. The main tasks are to study the problems of subsoil use public administration in Kazakhstan, to develop the basic principles and criteria of public administration of subsoil use and forecasting its sustainable development.

In the field of public administration, many modern concepts of public administration are widely known, such as New Public Management, Good Governance, E-Governance, Anticrisis Public Administration, and others. Serious transformational changes have been taking place in our country in recent years. Nevertheless, the modernization of public administration in the field of subsoil use remains an urgent task for our Republic. Having passed several stages in its development, the legislation on subsoil and subsoil use of the Republic of Kazakhstan, at the end of 2017, the Code “On Subsoil and Subsoil Use” was adopted, which, combining the world practice of public administration of the mineral industry, was developed taking into account many years of accumulated experience and law enforcement practice, becoming an innovation, still requires improvement and revision of approaches to public administration of subsoil use. Subsoil use of the Republic of Kazakhstan provides a significant part of tax revenues to the budget of the republic. In recent years, successive changes and additions have been made to the orders of Ministries, Ministries are being reorganized and the Government is being restructured. On January 02, 2023, the President of the Republic of Kazakhstan reorganized the Ministry of Ecology, Geology and Natural Resources into the Ministry of Ecology and Natural Resources, signing a decree and transferring powers in the field of subsoil use to the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan. To attract investments in the sphere of subsoil use, create favorable conditions for investors, increase competitiveness, and improve the sustainable social, economic and environmental development of the country, along with the ongoing reforms, it is necessary to reconsider the approach to rental mechanisms in subsoil use and improve the methodology of taxation of subsoil users in order to achieve a balance of interests of the parties and adequate receipt of budget revenues from subsoil use and preservation of economic motivations subsoil users.

The Extent of the Scientific Study of the Problem. The problems of public administration of the economy and its raw materials sector have been studied in the studies of classics of Russia, Kazakhstan and other countries, in which specific features of economic development and problems of its public administration have been identified. A large number of works by domestic and foreign scientists have been devoted to the study of this issue. Despite the significant contribution of scientists to solving this problem, certain issues of public administration of subsoil use in Kazakhstan in modern conditions have not been studied enough. Theoretical and methodological approaches to the study of public administration of subsoil use in Kazakhstan in modern conditions require further development during the global financial and economic crisis associated with the coronavirus pandemic and the subsequent post-crisis period. In the conditions of the current crisis, oil price volatility and stagnation, the issues of public administration of Kazakhstan's subsoil use of a methodological, methodological and practical nature in modern conditions are very relevant.

The Purpose of the Study: to study theoretical and methodological approaches to the directions development for the subsoil use public administration development in Kazakhstan on the basis of improving rental relations and ways of their practical implementation in modern conditions.

Research Objectives:

- to investigate the theoretical and methodological foundations of public administration in subsoil use;
- to develop methodological approaches to the study of the system of rent payments for subsoil use;
- improve the ways of collecting rental payments;
- to develop mechanisms of public administration of the country's subsoil use on the basis of collection, disposal and use of the system of rent payments.

Subject of the Research: economic and organizational relations for the development of the mechanism of public administration of subsoil use of the republic on the basis of improving rental relations.

The object of the Study : the system of subsoil use public administration of the Republic of Kazakhstan.

The theoretical and methodological basis of the dissertation research was made up of the works of domestic and foreign scientists in the field of subsoil use public administration. In the course of the study, methods of scientific abstraction, hypotheses, statistics, correlation and regression analysis of data, and economic analysis were applied.

The Information base of the Study was the data of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan and the materials of websites on the subject of the study, statistical data published in domestic and foreign literature. Legislative acts and regulatory documents of the Government of the Republic of Kazakhstan, the Ministry of Finance of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan, official documents on the development of the public administration

system of subsoil use of the Republic of Kazakhstan were used as a methodological basis.

The Scientific Novelty of the Thesis Research is as follows:

- conceptual foundations of public administration in subsoil use;
- development of directions for replenishment and use of the National Fund;
- methodological approaches to the development of the system of rent payments for subsoil use;
- improvement of the public administration of subsoil resources on the basis of the development of the system of rent relations for subsoil use.

In accordance with the topic of the study, the following **scientific provisions** have been developed:

- theoretical and methodological approaches to public administration in subsoil use. Classical and modern concepts of subsoil use public administration of the republic, foreign experience of the largest subsoil users countries are investigated, specific features of existing concepts, theories and approaches and the possibility of their application for the system of subsoil use public administration of the Republic of Kazakhstan are developed;

- methods of replenishment and use of the National Fund, the state of the funds of the National Fund was studied with the dynamics study of its over a ten-year period changes, a sample was carried out by type of payments in order to identify the largest receipts, as well as to determine the taxes types for which there is increasing revenues and revenues of the state budget possibility, and, consequently, the National Fund of the country;

- methodological approaches to the development of the rental payment system. A study of the subsoil use taxation was conducted, which investigated the possibilities of improving and developing the existing system of subsoil use taxation of the republic in order to implement a new model of subsoil use public administration of the republic.

- development mechanisms of the subsoil use public administration of the republic. Within the framework of the study, a set of directions, ways and priorities for the development of the existing model of subsoil use public administration of the republic on the basis of the implementation of measures to improve the collection, distribution and use of rent payments from subsoil use of the Republic of Kazakhstan is proposed.

Approbation of the Main Provisions of the Thesis. The results of the study were reported and discussed at the International Scientific and Practical Conference “Problems and prospects of the development of the financial system in modern conditions”, “Poltava University of Economics and Trade” (Poltava, Ukraine, 2020); International scientific and practical Conference dedicated to the 100th anniversary of the birth of Doctor of Economics, Professor T.A. Abdrazakova “Political and economic issues of our time: new opportunities for sustainable development” (Karaganda, April 24, 2020); International Scientific and practical Conference “Actual problems of modern science – 2020” (Nur-Sultan, 2020).

Publications. 13 scientific papers have been published on the topic of the thesis, including 1 article in a publication in the Scopus database, 4 articles in journals recommended by the Committee for Quality Assurance in Science and Higher Education of the Ministry of Science and Higher Education of the Republic of Kazakhstan, 2 monographs, 3 articles in collections of International scientific and practical conferences, 3 articles in scientific journals.

The Structure of the Thesis The thesis consists of three sections, contains 27 figures, 30 tables, conclusions, 144 sources used and one appendix.

In the First Chapter “Theoretical and methodological foundations of public administration in a nature-exploiting environment” within the framework of the study, the works of foreign, domestic, Soviet and Russian scientists in the field of public administration of subsoil use were studied. Based on the studied concepts and schools of public administration, the main approach to the public administration system in the economy have been identified, which is called New Public Administration or Neo-management, which emerged as a scientific direction since the 1980s of the 20th century.

The public administration system in subsoil use is a set of state functions for effective management of the distribution of deposits, extraction and rational use of mineral resources of the country to achieve better results, taking into account the interests of the state, society and investors, including a quasi-market structure in which public and private corporations compete to improve the efficiency of the mineral resources sector when the central role of the state and the people, who are the owners of natural resources, according to the Constitution of the Republic of Kazakhstan.

The Code of the Republic of Kazakhstan “On Subsoil and Subsoil Use” prescribes the main functional characteristics of authorized and competent authorities carrying out the execution of certain areas of subsoil use. According to the Code, the subsoil within the borders of the territory of the Republic of Kazakhstan, including the underground space and minerals contained in the subsoil, energy and other resources, are state property.

Despite significant progress in methodology, the effectiveness of the evaluation of state programs on subsoil use of the Republic of Kazakhstan remains a rather pressing issue. In this regard, solving these problems requires comprehensive reforms, including improving governance, increasing transparency, strengthening the regulatory framework and increasing environmental and social responsibility. The Government of Kazakhstan has recognized the need for reforms and is working on initiatives to address these issues, such as the adoption of the Code “On Subsoil and Subsoil Use” in 2018, the development of the Concept of Sustainable Development of the Manufacturing Industry until 2029 and efforts to increase transparency through participation in the EITI (Extractive Industry Transparency Initiative).

Having studied a number of state programs in the subsoil use of the Republic of Kazakhstan, it is important to note the existing violations and shortcomings in their implementation.

Kazakhstan is one of the largest producers and exporters of oil and gas in the world, and the lack of environmental responsibility is of particular importance. The state bodies responsible for the management of the non-mining industry do not pay due attention to the environmental consequences of resource extraction. Illegal mining and insufficient supervisory management leads to serious environmental problems associated with the extractive industry, namely, uncontrolled mining and insufficient environmental protection measures, destroying ecosystems, polluting air and water resources, as well as negative consequences for public health. Some subsoil users do not adhere to a short-term profit strategy, ignoring long-term sustainability and the possibility of using renewable energy sources. Environmental problems must be solved through the adoption of laws, legislative acts, state programs aimed at protecting the environment, without launching to catastrophic proportions. State programs in subsoil use do not conduct a proper environmental assessment and do not take into account the full range of possible environmental consequences of mining and subsoil use. This can lead to unforeseen environmental problems and threats to nature and human health. On January 2, 2021, the Head of State Kassym-Jomart Tokayev signed the new Environmental Code of the Republic of Kazakhstan with entry into force on July 1, 2021, which introduced the principles of “polluter pays”, “corrects” and “prevents” taking into account the best international experience of the countries of the Organization for Economic Cooperation and Development (OECD) and the law “On Amendments and amendments to some legislative acts of the Republic of Kazakhstan on environmental issues”, strengthening the responsibility of subsoil users for pollution and causing any damage to the environment.

In many countries, there is a problem of corruption, lack of transparency and inefficiency in the public administration of the non-mining industry. This can lead to improper allocation of resources, unfair granting of mining licenses, loss of government revenues and low transparency regarding profits from mining. Despite Kazakhstan's accession to the EITI in 2007, where all the countries that joined are required to disclose all licenses and contracts of non-mining companies, the contracts remain opaque. Kazakhstan has established a National Council of Stakeholders, a governing body that includes the government, members of Parliament, companies and civil society, as in other countries implementing the EITI. The Code of the Republic of Kazakhstan “On Subsoil and Subsoil Use” prescribes the obligation for subsoil users to submit EITI reports (license and contractual obligations), which is closed, which contradicts the main requirement of the EITI - disclosure of data. The implementation of the international EITI for 15 years, the status of Kazakhstan has been suspended, which directly confirms the problem with openness and transparency. The lack of transparency in the process of issuing licenses, setting and changing tax rates and fees, accounting for the use of income from resource extraction and questions about the honesty and effectiveness of government programs cause distrust among the population of Kazakhstan, as well as public indifference, limiting access to information about mining and subsoil use, as well as the ability of citizens to influence decisions and control activities companies. Government programs have been developed without

proper discussion and coordination with stakeholders, including local residents and environmental organizations, which leads to discontent and conflicts and increases social inequalities and tensions.

The lack of economic diversification in Kazakhstan, where heavy dependence on oil and gas creates risks for the stability and sustainability of the economy. The lack of sufficient measures to develop alternative industries and investments may jeopardize the economic future of the country. In case of falling prices for resources or depletion of reserves, the country may face serious economic problems and imports dependence, which will create dependence on them and make the economy vulnerable. In order to ensure a stable future and reduce dependence, a transition to alternative energy sources and sustainable development methods is necessary.

Incompetent and unstable public administration can create unfavorable conditions for investment and development of subsoil use. Inconsistency of regulations with international standards, unpredictability of legislation, weak control over the activities of subsoil users, insufficient assessment of social and environmental risks, arbitrary changes in tax and licensing conditions, as well as the lack of protection of investors' rights can scare off potential investors and hinder the development of the industry.

Effective and responsible public administration can contribute to minimizing negative consequences and maximizing public benefits, sustainable development of the industry, taking into account environmental, social and economic aspects, ensuring economic diversification and the welfare of the nation.

Based on the consideration of existing theoretical and methodological approaches, the main directions of public administration of subsoil use in modern conditions are investigated, which include:

- collection of taxes and payments;
- replenishment of the National Fund;
- ways of using taxes and payments, including funds from the National Fund for the rational use of subsoil resources, namely, increasing the degree of their processing while preserving the ecology of the environment.

In the Second Chapter “Analysis of public administration of subsoil use of Kazakhstan”, the systems of the existing and four proposed systems of taxation of subsoil use are analyzed, according to which the possibilities of improving and developing the existing system of taxation of subsoil use of the republic are investigated in order to implement a new model of public administration of subsoil use of the republic.

From the totality of the administrative functions of the state in subsoil use, the main rental mechanisms in subsoil use and the strengthening of the innovative component in the use of subsoil resources have been identified.

Rental mechanisms in subsoil use include a system of collection and distribution and expenditure of funds received for the use of subsoil resources. The main problem for strengthening the rental orientation is the need to improve the collection system in the direction of increasing taxation with an increase in production and oil prices.

The analysis of potentially applicable taxation systems was carried out on the example of five types of oil fields, including one offshore (Kashagan field) and four onshore fields (Tengiz, Uzen, Kumkol and Zhanazhol) reflecting the range of operating conditions in various territories. The volumes of reserves of resources of deposits for all types of operational conditions are presented. The four tax regimes considered and the results of calculations for all proposed systems are presented. To compare the considered tax systems with the modern tax system of Kazakhstan, the existing taxation system was applied to the considered oil fields. The results of calculations of tax fees under the existing taxation system.

The results of a comparative analysis of the existing and simulated tax systems allow us to draw the following conclusions.

In order to bring the modern tax system closer to the rental model of subsoil use, Kazakhstan needs to develop stimulating deep processing and dredging of wells, which should be facilitated by the further development of the system of collecting taxes and payments.

Recently, significant changes in socio-economic policy and processes have been taking place in Kazakhstan, the deepening of crisis phenomena in the social sphere requires a radical revision of the tax policy in subsoil use, including.

Based on the transformation of the available data and on the basis of the analysis carried out, the following rates of rent tax on oil exports, mineral extraction tax and excess profit tax have been proposed. As a result, with the current oil prices fluctuating in the range from 80 to 100 dollars per barrel over the past 3 years, in the future it is possible to predict a significant increase in revenues to the state budget of the country of about 862.29 billion tenge, which will make it possible to solve numerous social and environmental problems of the country, including non-mining regions.

The state of the funds of the National Fund was studied with the study of the dynamics of its changes over a ten-year period, a sample was carried out by type of payments in order to identify the largest receipts, as well as to determine the types of taxes for which there is a possibility of increasing revenues and revenues of the state budget, and, consequently, the National Fund of the country.

In the structure of state revenues, an important place is occupied by revenues from the country's subsoil use, which, accumulating in the state budget of the country in the form of taxes and payments, are sent as part of the income to the National Fund in the form of an annual transfer. The scheme of ways of allocation of resources of the National Fund is presented. It is proposed to direct the funds of the Stabilization Fund to support a socially oriented economy, which should combine the solution of social problems in the country by strengthening its economic basis, thereby solving two problems at once – social welfare plus economic stability of the state, currently a new targeted use of natural rent has already been introduced.

Effective improvement of the existing system of subsoil use will most effectively reform the system of withdrawal of income from the exploitation of mineral resources to the budget. Currently, state revenues from the activities of non-mining companies are concentrated in the National Fund of the Republic of

Kazakhstan, the dynamics of funds and receipts of which shows the change in the structure of the income of the National Fund for 2017-2021. The data on all major types of tax revenues for 2012-2021 are also considered, which confirm the above conclusions. These indices show the inefficiency of investing the Fund's funds in shares of foreign companies and an insufficiently flexible taxation system in this area. The profitability coefficients of oil companies during periods of price growth soar by many hundreds of billions of tenge, because when calculating the income of companies on the volume of extracted resources, these percentages turn into significant revenues of companies.

In the Third Chapter “Development of the public administration of subsoil use system based on rental relations” within the framework of the study, a set of directions, ways and priorities for the development of the existing model of subsoil use public administration of the republic based on the implementation of measures to improve the collection, distribution and use of rental relations from subsoil use of the Republic of Kazakhstan is proposed.

The Fund’s resources should be directed to the development of the economy of our country, the creation of new industries, increasing the degree of processing of subsoil resources, primarily the creation of a fully functioning oil and gas cluster in the republic, which would combine a developed mineral resource base, a complex of processing industries and the petrochemical industry to create products with a high share of added value.

Kazakhstan’s oil and gas cluster, combining the production, mining and processing components at a higher level, should first of all be based on strengthening the share of innovation in the oil and gas sector of the economy, as shown in the figure, and innovations must necessarily be combined with improving the environmental orientation of subsoil use and mandatory tightening of public administration in this regard.

In order to ensure the fairness and efficiency of the distribution of income from subsoil use, a mechanism for the distribution of rental payments have been developed. The primary role in the public administration of subsoil use is occupied by the management of assets of the National Fund, in the existing concept of the National Fund, the funds of the stabilization fund are distributed among the shares of foreign companies, in recent years, the profitability of which has been declining.

The implementation of the proposed measures is a necessary basis for improving the efficiency of the public administration of subsoil use of the Republic of Kazakhstan. As a result of the proposed balanced transformations, additional growth factors will appear.

Thus, the conducted macroeconomic analysis of the collection and distribution of income from the exploitation of natural resources allows us to make the following recommendations:

1. Rental income should be used to solve the key tasks of the economy to achieve a balanced functioning of all its structural elements, taking into account the rationalization of the relationship between income from the raw materials sector used in Kazakhstan and abroad. The main priority directions of the development of the republic’s economy are the further development of the entire industrial and

production complex in qualitative and structural terms, including the development of processing industries, chemistry and petrochemistry, agro-industrial complex, the development of new and new technologies, the production of products with a high share of added value; support of the non-governmental sector, which can be made through subsidies, tax cuts, financing of competitive industries, knowledge-intensive industries, industrial infrastructure and housing construction; investment of the most important social programs of society.

2. In order to reduce the dependence of the country's economy on extractive industries, it is necessary to develop its other sectors. The investment component of rental income should develop the non-resource domestic sector of the economy. Revenues from natural resource industries should make a significant contribution to the development of production infrastructure. The restructuring of the subsoil use taxation system with an increase in the share of the rental component in its composition will reduce the tax burden in other industries, which will contribute to their development and will have an overall favorable impact on the economic situation in the Republic of Kazakhstan.

3. Part of the rental income of the company should be directed to the implementation of socially developing programs of the company. In the future, every citizen should receive his share of natural rent as a dividend from the activities of trust funds formed at the expense of raw materials industries.

Being the rightful owner of the land and its subsoil, as a representative of the people - the true owner of the territories, the State should fully realize the function of ownership of the subsoil and its contents. In this regard, its duty to the people and future generations is the most effective disposal of this property.

The development of the system of subsoil use public administration is an important task for the Republic of Kazakhstan, since proper management of subsoil use has a significant impact on economic growth and well-being of the nation.

Dissertation candidate



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