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Special Vehicles of State Intervention in Russia and Kazakhstan

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Abstract

This paper analyses the interlink between resource revenues and financial sector management in Russia and Kazakhstan. In the absence of a well functioning private financial sector the governments can substitute for the actions of the private actors by introducing dedicated financial vehicles. Specifically, these instruments allow the governments of Russia and Kazakhstan alternatives to direct ownership in their pursuit of national economic priorities. The focus of the paper is on two examples of dedicated state investment vehicles with clear industrial policy remits and roles as agents of their respective governments. The paper distinguishes between crisis management and systemic role of these institutions.

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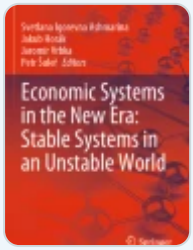

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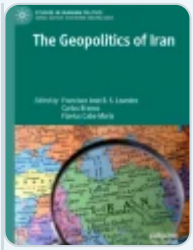

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Notes

1. For the role of the NOCs see Kalyuzhnova and Nygaard (2008).

2. The use of these revenues is debated widely in the economic literature (see Acemoglu and Johnson, 2005; Brunnschweiler and Bulte, 2009; Gylfason, 2000; Papyrakis and Gerlagh, 2004), but in this paper we are more interested

in the impact that resource nationalism is making on the governmental strategies in the financial sector.

3. $8.3 billion will come from the state budget and $10 billion from the National Fund of the Republic of Kazakhstan (NFRK).

4. For more details see the section ‘Special vehicles as crisis management tools’ of this paper.

5. Joint Stock Company Sovereign Wealth Fund ‘Samruk-Kazyna’ was founded in accordance with the Decree of President of the Republic of Kazakhstan dated 13 October 2008 No. 669 ‘On some measures on competitiveness and sustainability of national economy’ and by the Decree of the Government of the Republic of Kazakhstan dated 17 October 2008 No. 962 ‘On measures on realization of the Decree of President of the Republic of Kazakhstan No. 669’.

6. The key area for Samruk-Kazyna and companies shall be modernisation and diversification of national economy in the framework Annual Addresses of the President of Kazakhstan, Strategy of Industrial and Innovation Development of Kazakhstan 2003–2015, ‘30 Corporate Leaders of Kazakhstan’ Program, aims and objectives assigned to Companies and other documents.

7. Vnesheconombank resulted out of a reorganisation of a number of state-owned banks around the Vnesheconombank USSR in 2007; the latter was merged with the Russian Development Bank and Roseximbank.

8. Kalyuzhnova and Nygaard (2009) show that the overall share of SME lending constituted only a small proportion of VEB's assets in 2007.

9. Saving for future generations was compromised in 2009 when a large share of NFRK liquid assets ($10billion out of <$30billion) was used for short-run crisis

management. This may have been a good use of funds but it was not an obvious goal in official statements in 2000–2008.

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