

DEVELOPMENT FEATURES AND DECENTRALIZATION PROBLEM OF REGIONAL BUDGETS OF KAZAKHSTAN

ABSTRACT

Questions of working model functioning of financial alignment in Kazakhstan regions are considered in the article. Problems of formation and strengthening of own profitable sources in local budgets at the expense of tax and non-tax receipt are designated. By the results of dependence analysis in regional budgets on transfers possible improvement ways of interbudgetary relations and need of decentralization in local budgets for modern conditions of the market are offered.

Research objective: to this day relevance of a multilateral research problems of local budgets, regulations of interbudgetary relations and their decentralization in the world practice and in Kazakhstan many scientists have achieved certain scientific results in this area. Therefore, the research objective consists of continuation of theoretical and practical reconsideration of the developed system in formation, execution and regulation of local budgets, and also questions of Kazakhstan decentralization in modern conditions of the market.

Methods: principles of dialectic, systematic and logical approaches, structural and dynamic analysis, comparison, empirical and statistical methods, method of expert evaluations are used in the article.

Conclusion: Economic categories “local budgets”, “budgetary decentralization” “interbudgetary relations” any civilized society has the right for existence in the way of organization budgets system and relations between budgets in various territories. From here, social – economic development separates territories depend on condition of high-quality realization of the budgetary decentralization with help of local budg-

ets Therefore, in process of formation and performance of local budgets there are difficulties, contradictions, discrepancies is standard – legislative documents which require immediate solution for existing problems.

KEYWORDS: *local budget, decentralization, intergovernmental fiscal relations, transfers, income*

INTRODUCTION

So, the famous financier of pre-revolutionary Russia L.V. Hodsky wrote: “Understand the budgetary list, i.e. a list under the state budget (with all appendices) the public expenditures and their income, estimated for a covering, for a certain period of time, made (as the project) financial management, considered in legislative institution and fastened (approved) representative of the Supreme power”.

This definition characterizes the budget as the financial plan of the country which is established according to the law and is the legal document, and in him process of quantitative receipt and distribution of money by the state is reflected.

Budgetary funds of the state are allocated generally on the solution of global, national tasks (development of science, restructuring, support and stimulation of competitiveness of domestic manufacturer and t. π). The social orientation of the budget which is connected with implementation of various social programs, including, ensuring protection to the population from all risks and crisis is especially obvious. Legal and organizational support of private business development, creation of incentives for realization of its initiative, solution of questions on creation of the decentralized funds of money are parallel carried out.

In everyday life we often operate with expressions “the budget of family”, “the budget of enterprise” and in this case means that quantity of money which arrives and spends.

In literal translation of “bougette” (an old Norman language) – a burse, a bag, a leather bag, therefore, it is necessary for understanding the concept of the budget a number of specifications, especially who possesses this “purse” with whom is replenished for what purposes contents can be spent? The listed questions seemingly simple, however, they are driving motive for scientific

financiers and economists to look for answers that is the fullest and in detail to open definition, a concept and essence of economic category “budget”.

According to researchers – classics, the local budget – set of economic relations by training and to an expenditure of money intended for financial security of tasks and functions of local government also belongs to the category “public finance” (https://ru.wikipedia.org/wiki/Mestnyy_byudzhet) (access 28.06.2017).

Local budgets play an important role in the solution of problems of life support in regions population as they are financial base of local government therefore have to have sufficient financial means for implementation socially – economic policy of society.

Financing of questions solutions of local value and implementation of separate state powers by local governments is separately provided in profitable and account parts of local budgets.

For the purpose of a covering deficiency of local budgets the mechanism of level alignment of municipalities (regions) fiscal capacity is provided and all these questions are in continuous development and puts forward a number of problems.

THE OPERATING SYSTEM OF FORMATION AND PERFORMANCE OF THE LOCAL BUDGET

The local budget is financial base of many-sided local bodies authority activities and management. In the Republic of Kazakhstan local budgets occupies according to the income – 35%, on expenses of – 40% of the total amount of means of the state budget.

Each state is characterized by territorial differentiation on the level and life quality of the population and it is influenced by the following factors: heterogeneity of regions development on social and economic level, a condition of labor market, level of the income, living conditions and social demographic characteristics of the population.

In civilized society politic of regional regulation focused on alignment interregional disproportions socially – economic development of the country.

Income of local budgets consists of the following sources:

1) taxes and non-tax receipts;

- 2) transfers from the republican budget;
- 3) income from sale of fixed capital and receipts from financial assets.

According to table 1 we will make the dynamic analysis of a condition of revenues of local budgets of Kazakhstan during 2009–2015 (table 1).

Table 1.

Dynamics of local budget revenues in Kazakhstan for years 2009–2015 (million tenge)

| Name of indicators | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Taxes | 777 674 | 850 526 | 981 126 | 1 119 761 | 1 268 419 | 1 449 650 | 1 550 987 |
| Non-tax revenues | 22 391 | 33 441 | 29 957 | 35 572 | 41 230 | 48 018 | 62 765 |
| Proceeds sale from fixed capital | 31 349 | 36 917 | 33 804 | 35 222 | 47 160 | 63 363 | 60 935 |
| Transfer revenues | 1 287 764 | 1 486 553 | 1 632 854 | 1 820 369 | 1 927 592 | 2 225 600 | 2 350 450 |
| Income | 2 119 178 | 2 407 677 | 2 677 740 | 3 010 924 | 3 284 401 | 3 738 613 | 3 962 372 |

Source: *www.minfin.gov.kz/* (access 28.06.2017).

Analysis of table 1 data table 1 show absolute expressions positive dynamics of growth of receipt of the income on all sources is revealed, but are characterized by more advancing growth rate receipt of transfers.

Such ratio speaks as follows:

- 1) are assigned to local budgets according to acting tax and budgetary with legislations individual income tax, a social tax, excises by separate types of goods, and also taxes on property on which the low level of rates and narrow tax base are established, i.e. on the level of local budgets are directed taxes and fees, mainly small on the fiscal importance;
- 2) in established practices of the interbudgetary relations all local infrastructure, a powerful part of social expenses are financed by local budgets which feel a lack of financial means therefore local executive bodies compelled need support of republican budget in the form of granting transfers;

- 3) according to requirements of the Budgetary code corporate income tax, the VAT have to be listed completely in republican the budget of RK, and tax payments from the enterprise of oil sector strictly come to National RK fund, i.e. they are large profitable sources.

Table 2.

The structure of local budget revenues totally in Kazakhstan for 2009–2015 (% of total)

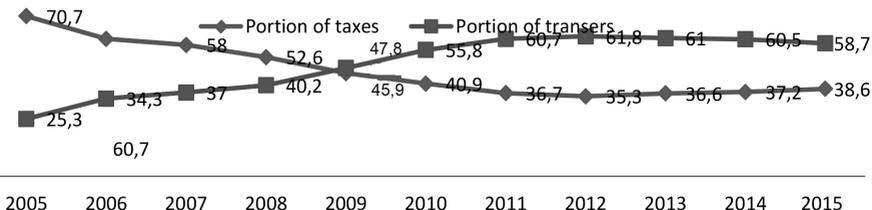
| Name of indicators | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------|------|------|------|------|------|------|------|
| Individual income tax | 34,6 | 36,7 | 38,3 | 39,2 | 38,9 | 40,5 | 42,3 |
| Social tax | 29,9 | 29,8 | 30,3 | 30,5 | 30 | 31,2 | 32,0 |
| Excise | 5 | 5,6 | 5,9 | 6,0 | 5,5 | 5,9 | 6,1 |
| Property tax | 7,6 | 7,5 | 8,1 | 7,7 | 7,6 | 7,8 | 8,5 |
| Tax on vehicles | 8,3 | 6,4 | 6,3 | 6,2 | 6,2 | 6,0 | 6,5 |
| Other | 8,7 | 7,9 | 4,2 | 3,6 | 4,9 | 5,1 | 5,3 |
| TOTAL taxes: | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: www.minfn.gov.kz/ (access 28.06.2017).

By results of structural analysis revenues of Kazakhstan's local budgets according to the table 2 and figure 1 it is possible to note that for analyzed period there is a decrease in proportion of taxes in the income of local budgets from 70,7% in 2005 to 36,6% in 2013 and 38,6% to – 2015 year when the specific weight of transfers from republican budget on the contrary grew for this period from 25,3% in 2005 to 58,7% in 2015.

Figure 1.

Taxes and transfers in local budgets revenues



In our opinion, in this situation there is no place to incentive of regions to tax administration and the strictest control of completeness and timeliness of taxes receipt and other obligatory payments. According to the table 3 we will continue analysis the ratio of taxes and transfers in Aktobe region in the same sequence.

Table 3.

Portion of taxes and transfers of Aktobe region for period 2013–2015 years

| Indicators | 2013 | | 2014 | | 2015 | |
|------------|--------------------------|------|--------------------------|------|--------------------------|------|
| | Amount in thousand tenge | % | Amount in thousand tenge | % | Amount in thousand tenge | % |
| Taxes | 16 345 000 | 16,1 | 18 220 350 | 12,1 | 20 557 572 | 12,1 |
| Transfers | 45 550 620 | 44,8 | 65 285 300,2 | 43,2 | 69 651 782,5 | 68 |
| Income | 101 598 620,0 | 100 | 151 082 779,3 | 100 | 169 383 342,4 | 100 |

Source: *aktobe.gov.kz/ru* (access 28.06.2017).

If we pay attention to the structure of income, one of the main sources respectively is transfers in three years averages - 52%, tax revenues in Aktobe region occupy on average in three years – 13,3%. In this region it is also inherent a natural tendency of advancing growth of transfers receipt in the local budget in comparison with tax sources.

Account part of the regional budget in Aktobe region taking into account transfers in 2014 is mastered for 99,6%, at the plan of 150 015 039,5 thousand tenge 149 475 581,1 thousand tenge are mastered. Financing of expenses on salary payment are provided to workers of the budgetary sphere in due time and completely. An account part of the budget taking into account transfers in 2015 is mastered for 99,8%, at the plan of 178 905 806,8 thousand tenge 178 591 118,7 thousand tenge are mastered. In general incomplete development of budgetary funds in all three years is observed (Official site of Akimat of the Aktyubinsk region).

On the basis of written above, it is possible to assume that in Aktobe region the normal situation with development of infrastructure, implementation of

social programs for area and therefore disappeared need of full development of budgetary funds. This situation paradoxical, actually local budget are always characterized by insufficiency of financial means in the budget for accelerated social-economic development of regions therefore it is necessary to establish factors, budgetary funds which caused not full in this region.

In other countries, for example, in Germany, for providing of collecting taxes and respecting of tax discipline large taxes are distributed between levels of budgetary system according to the approved standards. Such approach at least partially promotes, in our opinion, strengthening and stability of local budgets and this practice successfully implemented also in Kazakhstan.

Today the solution of financial independence of regions of the republic of Kazakhstan problems which is sent to search the ways of own tax base development stimulation and to create incentives for strengthening formation of own sources in local budgets is urgent.

But the model of financial alignment based on granting transfers from republican budget which demands “debugging” and improvement of interbudgetary relations mechanism therefore it is expedient to add other accompanying levers of ensuring financial independence of regional budgets acts on this stage of economy development.

On materials of Calculating committee during 2012–2014 violations of the budget legislation allowed by local executive bodies on use of transfers target allocated from republican budget among them are revealed:

- 1) unreasonable use of budgetary funds;
- 2) inefficient use of budgetary funds;
- 3) shortages of inventory items and money;
- 4) inappropriate use of budgetary funds;
- 5) violation of maintaining the budgetary account and drawing up financial statements rules, violation of procedures of government procurement (esep.kz/rus).

PROBLEMS OF DECENTRALIZATION AND INTERBUDGETARY RELATIONS

Also the operating system of the budgetary withdrawals is debatable, which often has negative effect on aspiration of regions it is considerable

to fill up revenues of the budgets. There is a practice of budgetary planning withdrawals from local budgets in republican budget usually for three years.

In 2014 mainly the greatest share of budgetary withdrawals was received by Almaty, and Astana, privileges in the form of withdrawal reduction to 60% was provided by Mangystau Region and the greatest gain of withdrawal volumes from the budget was observed in Atyrau region.

In certain areas are concentrated natural, human and financial resources that allow them to be self-sufficient and independent therefore they remain still as a part of the main budgetary donors. Official transfers allocated from republican budget and funds from Reserve of Republic of Kazakhstan for analyzed period from 50 to 70% of regional budgets: in Jambyl region the share of official transfers made 70,6% in total income amount, Kyzylorda region – 55,0%, Southern Kazakhstan area – 52,4%.

It should be noted that the functioning system of interbudgetary transfers which is one of the budgetary align instruments at the local level serve opaque and not enough promote development of regions.

From 75 developing states and countries with transition economy where more than 5 million people live, 63 countries delegate state budgetary power to local self-government.

In Kazakhstan attention to President's letter to the people of Kazakhstan where among seven basic principles of the long-term development strategy „Kazakhstan 2030” was pointed principle of decentralization „in the ministries, from center to regions and from the state to private sector”. (President's letter Kazakhstan 2030).

Decentralization of local budgets in Kazakhstan can be provided with a number of factors:

- 1) well-founded fixed taxes tax base;
- 2) local taxes correction possibility of rates;
- 3) receiving transfers from republican budget on support of territories.

Low-efficiency of local public administration in Kazakhstan developed for a variety of reasons:

- 1) unfinished of complete system of territorial public administration at its low levels;

- 2) insufficient understanding of essence and use of potential opportunities of local government;
- 3) counteraction to strengthening of local government from regional elite in connection with competition at distribution of resources and powers;
- 4) weakness of economic and financial basis of regional authorities;
- 5) inconsistency and insufficient development of legislation;
- 6) insufficient level of shots readiness;
- 7) insufficient level of scientific and methodical and information providing a place and a role of regional authorities in the solution of national objectives;
- 8) insufficient rational territorial organization;
- 9) non-optimal structures of governing bodies;
- 10) inefficiency of local management mechanisms of activity control not from the state, it is from population and public.

On the bases of current state analysis of the budgetary independence in regions it is possible to note that in dynamics the greatest inclination to this indicator is revealed in the western regions and in the capital of Kazakhstan. And, Astana showed the main jump in 2015 when the indicator grew almost by 10 percentage points (from 36,4% to 53%).

In Kazakhstan eight regions are recognized as self-sufficient from position of tax collecting revenues. In leading regions TOP-6 in this indicator enter Atyrau (receipts exceed expenses by 3,3 times), Mangystau (twice), Aktobe (by 1,4 times), West Kazakhstan (in 1,4) areas, and also Almaty (by 3 times) and Astana (by 2,6 times), occurrence of Almaty and East – Kazakhstan areas are planned.

The fact that the southern and northern capitals of Kazakhstan as the centers of high-organized urbanistic habitat of the main part population of the country show independence and self-sufficiency not to involve other regions to participate in their development through cooperation.

In world practice to the most predisposed to decentralization refer the Czech Republic, Hungary and Poland, and Bulgaria and Romania are not ready to such reforms yet. Lithuania, Latvia and Estonia which are considered as less large countries do not need this process. Larger countries as Kazakhstan with

high requirement where the strategy of decentralization is already started, but legislative mechanisms are still insufficiently developed. (Adasbayev, E. Kantarbayeva A. Detsentralization of public administration in Kazakhstan: problems and solutions.)

Table 4.

Dynamics of region independence in republican budget in one million tenge

| Regions | Budget revenues D1 | | Portion of taxes income D2 | | D2/D1 in % | |
|----------------------|-----------------------|------------------|-------------------------------|----------------|-------------|-------------|
| | 2012 | 2015 | 2012 | 2015 | 2012 | 2015 |
| Akmola reg | 135 861 | 161 327 | 35 637 | 50 570 | 26.2 | 31.3 |
| Aktobe reg | 139 592 | 145 742 | 70 551 | 87 324 | 50.5 | 59.9 |
| Almaty reg | 246 534 | 324896 | 80 958 | 132 059 | 32.8 | 40.6 |
| Atyrau reg | 158 821 | 183 485 | 125 823 | 100 063 | 79.2 | 87.2 |
| East-Kazakhstan reg | 220 219 | 242 514 | 61 548 | 81 231 | 27.9 | 33.5 |
| Jambyl reg | 165 174 | 202 213 | 31 537 | 45 149 | 19.1 | 22.3 |
| West-Kazakhstan reg | 104 491 | 136 735 | 46 244 | 61 648 | 43.3 | 45.1 |
| Karaganda reg | 198 117 | 214 135 | 92 613 | 120 045 | 46.7 | 56.1 |
| Kyzylorda reg | 139 208 | 174 557 | 30 765 | 38 725 | 22.1 | 22.2 |
| Kostanay reg | 133 214 | 159 689 | 43 796 | 54 762 | 32.9 | 34.3 |
| Mangystau reg | 113 863 | 148 636 | 75 008 | 113 185 | 65.9 | 76.1 |
| Pavlodar reg | 125 855 | 135 525 | 60 294 | 79 786 | 47.9 | 58.9 |
| North-Kazakhstan reg | 102373 | 130 115 | 23 154 | 31 902 | 22.6 | 24.5 |
| South-Kazakhstan reg | 359957 | 468 957 | 64 018 | 101 159 | 17.8 | 21.6 |
| Almaty | 342 609 | 480 381 | 231 335 | 326 682 | 67.5 | 68.0 |
| Astana | 325 036 | 358 451 | 118283 | 190152 | 36.4 | 53.0 |
| Total | 3 010 924 | 3 667 369 | 1190554 | 1674442 | 39.5 | 45.7 |

Source: <http://kgd.gov.kz/> (access 28.06.2017).

One of methods leveling selective regional policy is attraction of investment into backward regions, but at the same time action of compensating regional policy which consists of granting to the guaranteed services and alignment of security with infrastructure in modern conditions of Kazakhstan remains.

Financial independence of the region can be reached only when its territory is provided with necessary economical and financial potential which allows to create sufficient local budget by means of the tax revenues collected from its territory. And if the region has no required financial base then there is a question of redistribution need of means of Republican budget in the form of a transfer between local budgets of different level.

Such mechanism creates a problem of interbudgetary relations in Republic of Kazakhstan which is shown in providing revenues of local budgets at the expense of a transfer, and it is in turn of interferes with realization of economic policy of the state on decentralization of public administration by finance, deprives of independence and initiative of local self-government.

In our opinion, it is necessary to reconsider complex questions of interbudgetary relations and to create new system on the basis of involvement of research institutes, centers in republic. The effective system of interbudgetary relations will promote the solution of social imbalances problems in development of regions and to increase the efficiency of budgetary funds use allocated for implementation of investment projects in regions.

CONCLUSIONS

Thus, local self-government as result of decentralization of public administration, shows historically developed characteristic features of a communal system and in process of development of the state absolutely new lines are gained, keeping qualities of social orientation of this economic category.

Local self-government as social direction institute realizes at the local level of a possibility of self-organization of citizens in various forms which, are not limited with norms and legislative fetters, also, conditions for activity and initiative of population, taking into account their needs and interests, traditions and a conduct of life, historical experience and national peculiarities of local territories have to be provided.

Generalizing materials and data of local budgets in general Kazakhstan and Aktobe region come to the following:

- 1) investment of municipal authorities with separate state power promote merging and mutual enrichment of local government and “the state organism”;
- 2) a question of relationship between “center” and “regions” always in the center of attention of Government and society;
- 3) considering insufficient level of readiness of legal regulation subjects (low activity of population, lack of financial literacy, not complexity of legal regulation), gradual decentralization of regions is necessary;
- 4) in Kazakhstan the number of regionals – donors (50%) increases and growth of “local content” which are characterized by such indicators: budgetary independence, budgetary self-sufficiency of regions.

In general for the purpose of development levels alignment in the regional Government of Kazakhstan coal mine tries to redistribute financial loading between regions to provide the steady movement towards the budgetary justice.

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