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PROBLEMS OF FUNDS' FORMATION AND USE OF LOCAL BUDGETS IN KAZAKHSTAN

Leading, decisive role in the formation and development of any modern society's economic structure plays government regulation, carried out within the framework of the chosen economic policy authority. One of the most important mechanisms that allow the state to carry out economic and social regulation is a financial mechanism – the financial system of a society, the main element of which is the state budget. Exactly through the financial system, the government forms centralized and affects the formation of decentralized funds, providing the ability to perform functions assigned to public authorities. The value of local budgets, including both regional budgets and cities of regional importance and areas, can hardly be overestimated; almost all the activities of providing public services to the population are carried out at this level. The article outlines the basic problems of formation and use of local budgets' funds in Kazakhstan. In particular, the authors analyze the dynamics of tax receipts and non-tax payments to local budgets. The article considers the role and economic essence, functions and structure of local budgets. The basic problems of the local budgets' use are revealed and the ways of their solution are offered.

Key words: budget, local budget, regional budget, state budget planning.

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Қазақстанда жергілікті бюджет қаражатын қалыптастыру және пайдалану мәселелері

Мемлекеттің биліктің таңдаған экономикалық саясат шеңберінде кез келген қазіргі заманғы қоғамның экономикалық құрылымын қалыптастыруда және дамытуда жетекші және анықтаушы рөлді мемлекеттік реттеу атқарады. Мемлекетке экономикалық және әлеуметтік реттеуді жүзеге асыруға мүмкіндік беретін аса маңызды механизмдердің бірі қаржы механизмі – басты буыны мемлекеттік бюджет болып табылатын қоғамның қаржы жүйесі. Мемлекеттің қаржы жүйесі мемлекеттік органдарға жүктелген функциялардың орындалуын қамтамасыз ете отырып, орталықтандырылған және орталықтандырылмаған ақшалай қаражат қорларын қалыптастыруға әсер етеді. Облыстық бюджеттерді, сондай-ақ облыстық маңызы бар қалалар мен аудандардың бюджеттерін қамтитын жергілікті бюджеттер мәнін асыра бағалау қиын; іс жүзінде халыққа мемлекеттік қызмет көрсету бойынша барлық қызмет дәл осы деңгейде жүзеге асырылады. Мақалада Қазақстандағы жергілікті бюджеттерді қалыптастырудың және пайдаланудың негізгі мәселелері қарастырылады. Атап айтқанда, авторлар жергілікті бюджеттерге салықтық және салықтық емес түсімдер динамикасын талдаған. Мақалада жергілікті бюджеттің экономикалық мәні және рөлі, қызметтері мен құрылымы анықталған. Жергілікті бюджеттерді пайдаланудағы негізгі мәселелері анықталып, оларды шешу жолдары ұсынылған.

Түйін сөздер: бюджет, жергілікті бюджет, облыстық бюджет, мемлекеттік бюджеттік жоспарлау.

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Проблемы формирования и использования средств местных бюджетов в Казахстане

Ведущую, определяющую роль в формировании и развитии экономической структуры любого современного общества играет государственное регулирование, осуществляемое в рамках избранной властью экономической политики. Одним из наиболее важных механизмов,

позволяющих государству осуществлять экономическое и социальное регулирование, является финансовый механизм – финансовая система общества, главным звеном которой является государственный бюджет. Именно посредством финансовой системы государство образует централизованные фонды и воздействует на формирование децентрализованных фондов денежных средств, обеспечивая возможность выполнения возложенных на государственные органы функций. Значение местных бюджетов, включающих как областные бюджеты, так и городов областного значения и районов, сложно переоценить; практически вся деятельность по оказанию государственных услуг населению осуществляется именно на этом уровне. В статье изложены основные проблемы формирования и использования средств местных бюджетов в Казахстане. В частности, авторы анализируют динамику по поступлениям налоговых и неналоговых платежей в местные бюджеты. В статье рассмотрена роль и экономическая сущность, функции и структура местных бюджетов. Выявлены основные проблемы использования средств местных бюджетов и предложены пути их решения.

Ключевые слова: бюджет, местный бюджет, областной бюджет, государственный бюджет, планирование.

Introduction

Leading, decisive role in the formation and development of any modern society's economic structure plays government regulation, carried out within the framework of the chosen economic policy authority. One of the most important mechanisms that allow the state to carry out economic and social regulation is a financial mechanism – the financial system of a society, the main element of which is the state budget. Exactly through the financial system, the government forms centralized funds and affects the formation of decentralized funds, providing the ability to perform functions assigned to public authorities. The value of local budgets, including both regional budgets and cities of regional importance and areas, can hardly be overestimated; almost all the activities of providing public services to the population are carried out at this level.

Experimental part. Local budgets are one of the main indicators of regions' economic performance that provide largely the level of consumption in the region, centrally directing financial resources to solve the strategic objectives, development of the priority sectors of industry in the region, agriculture and social spheres. Budgetary and economic rights, granted to these bodies, give them an opportunity to constitute, consider, approve and execute their budgets; to control companies passed to their management and to receive income from them. In the context of the financial crisis, the most pressing issues are formation and use of local budgets' funds, from which budget funding depends.

The economic essence of local budgets is manifested in their assignment. They perform the following functions:

– formation of money funds, which are local authorities' financial support;

– distribution and use of these funds between sectors of the national economy;

– control over financial and economic activities of enterprises, organizations and institutions subordinated to these authorities [1, p.363].

The structure of local budgets is similar to the structure of the republican budget and consists of the following sections:

– revenues (tax revenues, non-tax revenues, revenues from capital transactions, received official transfers);

– expenses;

– operating balance:

– net budget financing (budget loans, repayment of budget loans):

– balance on transactions with financial assets (acquisition of financial assets: proceeds from the sale of the state financial assets):

– deficit (surplus) budget;

– deficit financing (use of surplus) budget (receipt of loans, repayment of loans, movement of budget surpluses).

Budgets are the financial base of local authorities. Basis of the country's financial system are the decentralized finances, because especially in this area there is a formation of the predominant share of the state's financial resources. At the same time, a substantial part of the funds are later on directed to finance the budget organizations; commercial organizations in the form of subsidies, grants, and also are returned to the population in the form of social transfers (pensions, benefits, scholarships, etc.).

In the terms of fiscal decentralization, local authorities are provided by the authority to establish the tax base, determine rates for certain local taxes and fees, introduce tax incentives to encourage certain sectors of the economy at the local level, and determine the cost structure.

Consequently, one of the basic methodological principles of budget management is both the decentralization of Kazakhstan's budgetary system and stimulation of budgetary self-sufficiency of country's regions. Theoretical studies define fiscal decentralization as the transfer of management functions from the central government to regional and local authorities (i.e. empowerment of subordinate budgets on the basis of reduction in the federal budget powers).

Real decentralization of budgets at all levels is determined by the presence of its own sources of revenue and budgetary powers of the local executive bodies. Decentralization can improve management efficiency by approximation of power to the voters, and therefore allows to take into account territorial features more fully and preferences of the each territory's population. Local budgets are the regional economy's main efficiency indicator; they provide largely the level of region population's consumption as they finance development of local and food industries and public utilities as well.

Since the local governments provide development processes of the region and Kazakhstan's regions differ significantly from each other (in climate, population, industrial development, natural resources and others), therefore regional budgets' financing should be different and take into account the region's peculiarities. Among the regions of the Republic of Kazakhstan there is a significant difference in economic development which is related to a number of factors. It is well known that the socio-economic situation in the regions is associated with the presence of large enterprises, number of resident population, its age structure, etc. These factors determine the ability of local executive bodies in the formation of income generation and

cost planning of local budgets. The current situation of uneven economic development of Kazakhstan's regions strongly requires elaboration of tools to assess the level and quality of population lives as a management efficiency's criterion in the regions of Kazakhstan. Regional regulation's policy should seek to reduce scales of inter-regional disproportions in the level of socio-economic development [2, p.74].

Increasing the incomes of local budget depends on the proper tax planning and forecasting of local government, effective use of communal ownership.

According to the Budget Code of the Republic of Kazakhstan, local budget revenues are formed at the expense of tax and non-tax revenues, transfers from the republican budget, sales revenue from fixed assets and income from financial assets. Note that non-tax revenues to local budgets include: dividends on the companies' shares which are community property; revenues from lotteries held by local authorities; rewards for (interest) loans from local budgets; proceeds of the property sale belonging to local authorities; revenues from service realization by government agencies subordinated to local authorities; proceeds of a rental property of communal ownership; revenues from government procurement, organized by public institutions subordinated to local authorities; proceeds of land lease; pollution charges to the local government environment protection funds in the amount of 50%; other administrative charges; administrative fines and penalties imposed by state institutions subordinated to local executive bodies; other revenues prescribed by law of the Republic of Kazakhstan.

Consider indicators of the local budgets revenues in Table 1 [3].

Table 1 – Revenues of local budgets for years 2011-2015

(Mln tenge)					
The name of indicators	2011	2012	2013	2014	2015
Taxes	777 674	850 526	981 126	1 119 761	1 268 419
Non-tax revenue	22 391	33 441	29 957	35 572	41 230
Proceeds from the sale of fixed assets	31 349	36 917	33 804	35 222	47 160
Proceeds of transfers	1 287 764	1 486 553	1 632 854	1 820 369	1 927 592
Revenues	2 119 178	2 407 437	2 677 740	3 010 924	3 284 401

* Source: according to the Ministry of Finance of the Republic of Kazakhstan [4]

From the data presented, from 2011 to 2015 it is clear that the dynamic of tax revenue is characterized by growth of 63%. Non-tax revenues in the analyzed period are increased by 81%, proceeds from the sale of fixed capital are increased by 50%. Transfers are also characterized by a significant growth of 49%. This is due to several factors. Firstly, in accordance with the current legislation, local budgets receive only a certain part of all taxes to be paid and other obligatory payments such as personal income tax, social tax, excise duties on certain types of goods, as well as property taxes (land tax, property tax and vehicle tax) [5].

Secondly, due to the fact that challenging tasks of financing local infrastructure are assigned to local budgets, a significant part of social spending (education, health, etc.), The Republican budget has to support the local executive bodies through the providing of transfers. Thirdly, in accordance with the Budget Code, the largest revenue sources (corporate income tax, VAT) are fully transferred to the republican budget. At the level of local budgets, predominantly small taxes on fiscal significance and fees are charged [6, p.74].

Table 2 below shows the tax structure of local budgets in Kazakhstan.

Table 2 – Tax structure of local budgets for the years 2011-2015 (in % to previous year)

The name of indicators	2011	2012	2013	2014	2015
1. Individual income tax	34,6	36,7	38,3	39,2	38,9
2. Social tax	29,9	29,8	30,3	30,5	30
3. Excises	5	5,6	5,9	6	5,5
4. Property tax	7,6	7,5	8,1	7,7	7,6
5. Land tax	5,9	6,1	6,9	6,8	6,9
6. Vehicle tax	8,3	6,4	6,3	6,2	6,2
7. Other	8,7	7,9	4,2	3,6	4,9
ALL taxes:	100	100	100	100	100

* Source: according to the Ministry of Finance of the Republic of Kazakhstan [4]

Table 2 shows that in the tax structure of local budgets is dominated by IITs (38,9% in 2015, among all types of taxes), social tax was 30% in 2015, property tax – 7,6%, land tax – 6,9%, vehicle tax – 6,2%, other taxes amounted to 4.9% in 2015. In turn, the forecast for taxes on international trade and external operations for 2017 is defined in the amount of 914,7 billion tenge with an increase against the assessment in 2016 by 31,5 billion tenge, or 3,6% (in 2018 – 912 billion , in 2019 – 923,7 billion KZT). On non-tax revenue, forecast for 2017 is defined in the amount of 113,7 billion tenge with a decrease against the assessment in 2016 by 158,9 billion tenge through the current year's one-time revenue, as mentioned above (in 2018 – 114,7 billion tenge, 2019 – 163,9 billion tenge) « [7].

Results and discussion. Having considered the tax structure of local budgets, we can see that the local budgets receive such taxes as IIT, social tax, excise tax, property tax, land tax and so on. However, such types of taxes as corporate income

tax, VAT and excise taxes on imports, crude oil, etc., come to the Republican budget. In our view, this practice does not stimulate regions to the tax administration and proper control. From our point of view, to address the problem of strengthening the incomes of local budgets we could benefit from the expertise of Germany, where the largest taxes form two or three budgets at once (are shared between the budget system's levels approved by the standards). In this way a proper collection of taxes and compliance with fiscal discipline are ensured. It can be done likewise in Kazakhstan distributing revenues from CIT, VAT and excise duties on imports, crude oil, etc., between the state and local budgets.

Resolving the problems of regions' financial autonomy of the country should aim at stimulating development of its own tax base, providing incentives for local authorities to strengthen their own sources of formation of local budgets. In that regard, it would be useful to supplement financial equalization model, based on the provision of

transfers from the national budget, with the related levers [8, p.96]. In particular, the corporate model of budgetary framework of the European countries can be used: wide participation of regional authorities in the redistribution of national income; availability of own and regulatory taxes and income for each level of the budget system.

Official transfers and funds from the reserve of the Republic of Kazakhstan's Government in the budget of certain regions, provided from the national budget in years 2010 – 2015 ranged from 50 to 70% of the budget. In particular, the share of official transfers amounted to 70.6% of total revenues in Zhambyl region, Kyzylorda region – 55.0%, South Kazakhstan region – 52.4%. In addition, the current system of intergovernmental transfers, serving as a tool of fiscal equalization, is perceived as non-transparent mechanism for balancing local budgets at the local level of public administration, limiting the economic incentives of regions [9, p.107].

Violations were detected in 2015 when using special-purpose transfers by the local executive bodies which were allocated from the republican budget. The total amount of budget legislation's identified violations amounted to 125 459.3 million tenge, including: unwarranted use of budgetary funds; violation of the rules for budgetary accounting and financial reporting, violation of public procurement procedures, etc.

The current system of budget withdrawals is also a controversial issue which often has a negative effect on the desire of regions to significantly replenish the revenue of their budgets. Budget withdrawals from local budgets to the national budget are scheduled for the years 2016-2017 in an amount of \$ 102.1 billion KZT, 121.1 billion KZT and 140.2 billion tenge respectively. The largest share of the budgetary exemptions accounts for for Almaty. At the same time, in 2015 the volume of budget withdrawals from local budgets of Mangistau region and Astana decreased on average by 60%. Increase seizures occurred from the budget of Atyrau region. The composition of the main budget donors does not change due to the presence and concentration in these areas of natural, human and financial resources.

The autonomy of local budgets should be provided by effective governance. At the same time, to ensure that the revenue authority complies with the supplies and in order to create conditions for the local self-government's development in Kazakhstan, it is necessary to create more efficient financial base of local budgets.

In practice, the local public administration in Kazakhstan is working ineffectively for several reasons:

the absence of a coherent system of state territorial administration at its low levels;

lack of understanding of the local authority essence and its capabilities from the authorities;

strengthen the opposition of local authorities from the regional elites in connection with the competition in the allocation of resources and powers;

weakness of the economic and financial bases of local authorities;

in some cases – possible inconsistencies and poor drafting of legislation;

the lack of staff preparedness in relation to the difference in the level of staff training on the territory of Kazakhstan;

insufficient scientific-methodological and information provision of place and role of local authorities in solving the state problems;

non-optimal structure of the management bodies;

weakness and inefficiency of local control over the control mechanisms activities rather than by the state, population and the public.

As international experience shows, there is no single ideal model of intergovernmental relations that is suitable for all countries. On the contrary, this sector is characterized by a great diversity of national systems which often contradict the standard theory of the optimal model. Such systems can be characterized both as advanced and limited powers of local authorities in the process of local budgets formation.

In Kazakhstan, it is advisable to ensure the right of local authorities to adopt, within the law, independent decisions to organize budget process. We consider it appropriate to use the methods of leveling selective regional policy, which is manifested in stimulating investments in backward regions and providing the latest financial aid. As is known, Kazakhstan has the priority to develop Astana and Almaty. This could serve as an impetus to involve other regions through the cooperation in their development towards a highly urban environment of the main part of the population. In so doing, it is necessary to save the compensating regional policy in relation to underdeveloped regions by providing them with guaranteed services, aligning infrastructure security. Compensating regional economy in Kazakhstan should be based on the fact that local taxes play an important role in it, as a stimulus for the development of Kazakhstan's certain region.

Thus, it is necessary to strengthen the role of local taxes. This requires review of the rates

and benefits, or the taxes to be entering into the national budget should be left in the local budgets according to certain standards. Thus, with respect to taxes on property, the focus should be given to the establishment of an information exchange between the registration authorities of Kazakhstan and the Ministry of Internal Affairs of the Tax Committee of the Ministry of Finance.

In addition to improving tax administration and changes in taxes accrued to the local budgets, a change of the state assets management system is necessary. Effective management of state assets based on clarifying types of assets, the determination of state assets' strategic types and the priority right to purchase, the personification of the responsibility for the efficient use of assets, will have a positive impact and increase the incomes of local budgets.

Implementation of these recommendations will increase the efficiency of the state financial control's system which ultimately is the key to the implementation of fiscal policy. It is necessary to further improve the existing legislation designed to promote the development of methodological base, terminological consistency and the formation mechanism of the state financial control system's functioning, strengthening the financial base of local budgets [10, p.181].

Among the activities that strengthen its own financial base of local budgets, it can be highlighted the following. Focusing on the experience of Russia, it should be noted that it is necessary to make the transition to the real estate tax, replacing the existing tax "on personal property", "land tax" and "property tax", provided that the market valuation of real estate and crediting of the tax were improved according to the norm of 100% into the revenues of local budgets. It would also be useful to differentiate the real estate tax in the following categories: a tax on built-up areas, a tax on housing, tax on buildings for production purposes, a tax on forest land, agricultural land tax. Rates of these taxes should be determined by local authorities when preparing the budget for the next year. It is appropriate to create conditions for effective use of the population's self-taxation system as an additional source of income for local budgets. In modern conditions of housing estates development and gardening companies, in virtually all regions of the country, local governments are obliged to assume the powers of the social and cultural improvement of built in this manner territories, construction of necessary communications, as well as the decision of the inevitable environmental problems (garbage removal, landscaping, improvement of roadside banding, etc. [9, p.111].

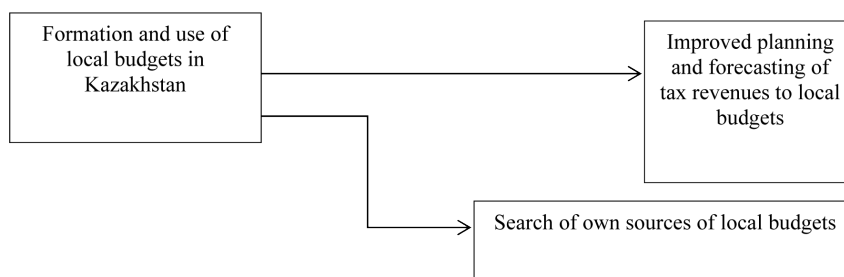


Figure 1 – Measures to improve the formation and use of local budgets

Note: compiled by the author

Improve the process of formation and use of funds of local budgets in Kazakhstan is possible by means of measures, presented in Figure 1. Revenues prediction of the local budgets should be improved through the use of modeling. This method involves the theoretical analysis and practical actions aimed at the development and use of models. The value of income is represented as a function of its constituent factors. Predictive value of income's each item is calculated by this dependence on the predictive values of factors.

Modeling is actively used at the national level, but is much less used to predict the revenues of local budgets, so it should be used in the prediction of local budgets.

Method of tax revenues calculation is not yet completely developed; there is an insufficient data base which is necessary for reliable modeling of the various factors' influence on the amount of tax revenue. Because of an objective uncertainty of tax revenues' forecasts, the differences between planned and actual volumes of mobilization

are inevitable. However, the implementation of planned targets is dependent not only on the efforts of the competent authorities, the economy and the performance of companies-taxpayers, but also on how is realistic and achievable plan for the position, how accurate were the calculations and forecasts underlying during its development. The basis for accurate and informed planning of local budgets' tax revenues should be a comprehensive analysis of the socio-economic indicators in conjunction with the assessment of taxes in prior periods, creating favorable conditions for taxpayers enable companies to reduce the amplitude of the oscillation parameters of their economic activity.

Conclusion

Therefore, the basic problems of the formation and use of local budgets in Kazakhstan were considered: inefficient tax planning and forecasting, lack of local budgets' own funds. The ways of solving these problems have been proposed: the use of modeling in the process of tax forecasting and planning, distribution of most major taxes between the state and local budgets, implementation of a budgetary framework's corporate model of the European countries, creation of more effective local budgets' financial base, as well as providing local authorities with the right to make, under the law, independent decisions on the organization of budget process.

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