

## The Concept and Method of the Budgetary Management in Republic of Kazakhstan

*Perneev Dauren Hamitovich*

Financial and Tax Law,  
Kazakh Humanities and Law University Astana, Kazakhstan

---

**Abstract:** This article is devoted to the problem of budget system of the Republic of Kazakhstan which is now in transitional period of creation and reformation. Legal regulation of intergovernmental relations changes every year, however, even in a small period we can define periods of stability and periods of intensification of the changes. Quality of the legal regulation of social relations depends on the presence of well-developed theory. But nowadays legislative changes are far ahead of theoretical developments what leads to a situation where the scientific thought did not have time to react to changes as new innovations come.

**Key words:** Budget • Budgetary management • Financial and Legal system • Kazakhstan • Taxes • Income

---

### INTRODUCTION

The concept of "budgetary management", being a scientific category, has no common interpretation. The analysis of financial, financial and legal writings shows that there is, at least, a restricted and a generic sense of the term "budgetary management". This is expressed not only in the definitions, which, as it may seem to be almost the same, but more in the way of the regulation.

In the *restricted* sense "budgetary management, being a part of the budgetary process, is defined as a partial redistribution of funds between budgets of different levels." It is noted that there are four methods of budgetary management: 1) establishing and regulating the distribution of sources of revenue and 2) the redistribution of the budget sources themselves and 3) the gratis aid provided by the lower budgets at the expense of the higher budget and 4) loans allocated from the funds of some budgets to the other budgets [1].

**Budget Management:** First, budgetary management is "an integral part of the budget process," and secondly, the term covers the process of providing the lower budgets with income which are additional to those that are "firmly fixed" to them.

It is noted that the attribution of the budgetary management to the budget process means that it is carried out as a part of the budget process relationships.

Meanwhile, the budgetary management includes not only planning of funds provision from the upstream budgets to the downstream ones in order to balance the latter, but the movement of the funds, which is carried out within the frame of the material fiscal relations.

Supporters of the generic sense of the term cover a wide range of its methods over the "budgetary management". A.I. Khudyakov determines the budgetary management as ensuring the balanced budget included in the budget of the State. Meanwhile, in his opinion, the methods of the budgetary management are: a) the allocation of expenses between different types of budgets included in the budget system and b) the establishment of permanently fixed income for every segment of the budget system, c) the establishment of income transferred from the upstream budget into the downstream budget to balance the latter. This income is usually called "control revenues", d) Inter-budget subventions (subsidy) and e) inter-budget lending f) cost of taking; g) budget cuts, including sequestration [2].

I must say that at the present time the concept of "budgetary management," are not used in the scientific world and in practice any more, because the issues of this regulation are within the scope of the Budget Code under sections called "Intergovernmental Relations."

However, we believe that the budgetary management continues to exist as part of the budget unit, despite the fact that the term is not used by the budget legislation

and its self regulation is carried out by the sections of the Budget Code, which are called by another name at present.

The Budgetary management starts with sharing of costs between different types of budgets included in the budget system.

The second step is to establish a regulatory budget permanently fixed income for every segment of the budget system.

But we believe that the meaning of the term "taking" corresponds to the concept of "income" and the article just provides for that expressed by the term "permanently fixed income of every segment of the budget system."

In contrast to the traditional practice of budget management the Budgetary Code of Kazakhstan does not give a list of the types of income (in the terminology adopted in Kazakhstan -"taking"), which are used for the purposes of budget management by transferring them from the upstream into the downstream budgets to balance the latter. It should be noted that in practice of the budget management the given taking is traditionally named under the term "regulatory revenues." According to the present mechanism of budget management, this regulation is carried out by the higher budget at the expense of different types of its income and not by its specific form defined as a regulatory income.

As soon as the process of budgetary management in its large part is carried out within budgets relations to each other, this process, as noted above, is governed by the Budget Code of the Republic of Kazakhstan, by a special chapter called the "Intergovernmental Relations".

"Intergovernmental relations-as it is defined in the Budget Code of the Republic of Kazakhstan-the relationship between the republican, provincial budget, the city's budgets having republican status, the budgets of the capital, districts (cities of regional importance) and between the national budget and the National Fund of the Republic of Kazakhstan in the budget process" (paragraph 1 of Article. 42 BC Code).

In accordance with the given definition of the inter-budget relations it is necessary to mention the following things:

Firstly, budgets (no matter what the meaning the term has) can not be the subjects of inter-budget relations, which are a form of public relations. The party of public relationships is always the particular entity. Budget, defined as the fund of cash assets (as a material category), the whole range of certain economic relations (as an economic category), the finance plan (as a legal category) does not have legal personality features.

Therefore, it cannot be as the subject of public relations. The subject of budgetary legal relationship which is a form of public relations is a state, an administrative-territorial entity, public authority, a legal or natural person, etc.

Secondly, Intergovernmental relations can not be reduced to relations arising "in the budget process." Procedural budgetary relationships are a budgeted relation that is a form of organizational budgetary relations. Undoubtedly during the process of budgetary management there are such relations when you plan how much money will be allocated from the upstream budget into the downstream budget to balance the latter. However, such regulations are accompanied not only by procedural (institutional) relations, but also by material budgetary relations, causing immediate movement of funds from one budget to another.

In the end, we would offer the following definition of intergovernmental relations, "Intergovernmental relations are relations between Kazakhstan and the administrative-territorial units of the Republic of Kazakhstan on behalf of its authorized public authorities regarding the movement of money from one budget to another in connection with the process of fiscal adjustment."

RK Budget Code states that "relationships between the national budget and the budgets of districts (cities of regional significance) are not allowed in the budget process" (paragraph 2 of Art. 42 BC Code).

Hence it follows that the state budget can not, as they say, to jump over the stage and carry out the budget control of district budgets over the "head" of the regional budgets.

This means that the process of budgetary management should be carried out between the upstream budgets to the downstream budgets.

This approach is unlikely correct. According to A.D. Zhusupov and it seems to be reasonable, it is necessary to expand the scope of budgetary lending. He thinks that the horizontal agreements of budgetary lending are acceptable, that is when money is borrowed not from the upstream budget, but is allocated from the budget of the same level [3].

In other words, not only relationships between the upstream budgets and the downstream budgets (that is vertical relations) shall be related to inter-budgetary relations, but also the relationship between the budgets of one and the same budget level (for example, the relationship between the regional budgets), that is vertical relations.

Thus, in our view, the process of the budgetary management can be carried out not between the upstream budgets and the downstream budgets, but between parallel budgets. For instance, a budget lending transferred from one regional budget to the regional budget.

As regards the methods of budgetary management, RK Budget Code states that inter-budgetary relations are regulated by:

- Between national and regional budgets, the budget of the city of republican status, the budget of the capital: a) transfers and b) budget lending;
- Between regional and district (cities of regional significance) budgets: a) transfers and b) budget lending and c) income distribution regulations (Article 49 BC Code).

It is interesting to note that the methods of the budgetary management are differentiated with respect to the links of the budget system. Thus, the system of relations between "the national budget and the regional budget" offers two methods: transfers and budgetary lending. In the system of relations between "the regional budget and the district budget", besides these methods we can use one more such as the establishment of standards of income distribution.

Describing these methods, it should be noted that the term "transfer" is used as mentioned above, as the movement of money from one budget to another on the basis of irrevocable, royalty-free and non-equivalent. Hence it follows that relations arising within allocation of transfer, are financial relationships in their economic nature.

The word "transfer" is derived from the French word "transfert". The last was derived from the Latin word "transfere" which means 'transfer', "translation". [4] It is interesting that in the writings such kinds of inter-budgetary transfers are proposed to call with the term "budget grants." [5].

In fact the proposal is not without a certain sense, as RK Budget Code has already applied the term "grants" to irrevocable and non-repayable taking to the budgets of Kazakhstan from abroad.

The Budget Code of the Republic of Kazakhstan includes three types of transfers:

- Transfers of a general nature;
- Purpose running transfers;
- Purpose transfers for development (item 2. 44 BC Code).

In turn, transfers of a general nature are classified as: budget subventions and budget removal.

Budgetary subventions are transfers sent from the higher budgets in the lower budgets to the amounts approved in the national or regional budget.

Budget transfers are exceptions to be transmitted from the downstream budgets to the upstream budgets within the amounts approved in the national or regional budget (paragraph 2 and 3 of Art. 45 BC Code).

The volume of general nature transfers are defined as the difference between the amount of income and expenses of the relevant local budget.

When there is exceeding of the expected revenues over the expected costs of the local budget, the budget withdrawals from the local budget to the upstream budget are set.

The predicted amounts of revenue are calculated with a glance of the tax potential of the region and on the basis of the distribution of revenues between the levels of the budgets.

When there is exceeding of the expected costs over the expected revenues of the local budget, the budget subventions to local budgets from the upstream budget are set.

The expected amounts of costs of local budgets are calculated with a glance of their sharing between current budgetary programs and budget development programs, schemes, approved by the natural rules and on the basis of cost-sharing between levels of budgets.

Thus, by means of transfers money can be transmitted both to the downstream budget via the budgetary subsidies and be removed via the budget withdrawals.

In this connection it should be noted that in world practice this approach as regard the implementation of the budgetary management is an unconventional: in most countries, this regulation is based on the fact that money from the upstream budget is available for the downstream budget.

The purpose of general nature transfers is to balance the level of budgets security and the to provide them with equal opportunities while rendering standard public services in accordance with expenses assigned to every budget.

The amount of general nature transfers are set for three years with a year split:

Between the national budget and regional budgets-under the law of the Republic of Kazakhstan;

Between the regional budget and the budget of the district-under the decision of the regional Maslikhat.

The amount of general nature transfers is subject to a change every three years.

The amount of general nature transfers for a three-year period and their change every three years are based on a method of calculation of general nature transfers by the Government of the Republic of Kazakhstan.

While calculating the amount of general nature transfers, the general purpose transfers and the budget loans are not taken into account.

If the approved (refined, adjusted) local budget does not include the expenditures recorded in the calculation of the budget exemptions and subsidies, the Government of the Republic of Kazakhstan or the local executive body takes a decision to reduce the budget subsidies or to increase the budget withdrawals by the corresponding amount within the financial year.

The second type of transfers under the budget legislation of the Republic of Kazakhstan as a method of budgetary management is the purpose running transfers.

The purpose running transfers are transfers transmitted from the upstream budgets to the downstream budgets for implementation of individual running budget programs which are not included during the calculation of budget seizures (budgetary subventions).

Target current transfers are only provided for the implementation of measures of government, industry (sector) and regional programs, as well as at the request of akims during the financial year only on the activities funded from the reserve of the Government of the Republic of Kazakhstan or the local executive body area (Section 1, Art. 46 BC RK).

Thus, the main difference between the general nature transfer from the purpose running transfer is as follows:

- A General nature transfer stipulated by the existence of general differences between the amounts of revenues and expenses of the relevant local budget.
- A purpose running transfer stipulated by the necessity of implementation of particular budget programs. The costs of implementation during the calculation of general nature transfers were not taken into account during.

Besides, the source of the general nature transfer can be common means of an appropriate budget. The source of the purpose running transfer can be the fund of the Government of the Republic of Kazakhstan or the local district executive body.

Relations arising in the process of providing the budget credit are credit by their economic nature. These relations mediate the return movement of cost cash

from one person to another. While carrying out the first phase of the loan (the phase of credit granting) money moves from the lender to the borrower; while carrying out the second phase of its implementation (the phase of credit granting, i.e. debt repayment) money moves in the opposite direction: from the borrower to the lender.

**Budget Credit May Be General or Targeted:** RK Budget Code does not decrypt this kind of the budget management. However, the mere establishment of standards that underpins the distribution of certain budget revenues is a phenomenon which is common in the practice of budgeting and is used for a long time.

While choosing a method of the budget management (transfers, budget loan, setting standards of income distribution) the financial strength of every budget level, the results of the objective assessment of budgetary needs of the regions, approved natural standards are taken into account.

Summing up the information relating to the fiscal adjustment, we propose the following definition of this process: "Budgetary management is a systematic process to balance every budget which is a part of the state budget on the basis of the objectives and functions of the budgets."

## CONCLUSION

The current system of intergovernmental relations in Kazakhstan does not meet the needs of the society, state and local government as it does not reflect their interests and doesn't develop economic activity in the country. The model of intergovernmental relations which is defined by the Budget Code of the Republic of Kazakhstan, other regulations, is deficient as it does not correspond with the principles, does not reflect the content of the legislative budget as a means of ensuring activity of the state and the balanced development of various spheres of public life and universal guarantee the rights and freedoms. A practical solution can be the adoption of the law on the development of the budget system of the country for several years. This law could include general data of income throughout the budget system and their distribution under a certain amount of a local authority for each level of the budget system. It is also appropriate to establish the mechanism of interaction of the state budget and state funds, ties between budget system with other areas of life, especially with the economy.

**REFERENCES**

1. Finansovoe pravo, 1995. Uchebnik. Otvetstvennii redactor N.I.Himicheva, prof., doctor PhD, Mejdunarodnoi akademii nauk vissehei shkoli. M., S., pp: 136.
2. Hudyakov, A.I., 2002. Finansovoe pravo Respubliki Kazahstan. Osobennaya chast: Uchebnik. Almati, S., pp: 39.
3. Jusupov, A.D., 2007. Monografia. Organizacionno-pravovie aspekti funkcionirovania finansovoi sistemi. RK, Astana CNTI, S., pp: 103.
4. Sovremenii slovar inostrannii slov. M, 1992. S., pp: 617.
5. Jacoson, L.I., 1996. Ekonomika obshestvennogo sektora. Osnovi teorii gosudarstvennix finansov. M., S., pp: 301.
6. Budjetnii Kodeks Resbliki Kazahstan, Almati, 2009. izd. «Urist»