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The Role of Budget Planning in Improving the Efficiency of Economic Policy in Kazakhstan

ABSTRACT

In the budgeting system of the Republic of Kazakhstan, which is focused on achieving results, a special place is occupied by state programs.

A state program is a comprehensive document that defines the main directions of state policy in the field of its implementation, which is directly linked to the development strategy of the state as a whole and the concept developing a particular industry.

In the Republic of Kazakhstan, a state program is a strategic planning document containing a set of planned activities and interlinked by tasks, deadlines, implementers, resources, and public policy instruments that ensure—within the framework of the implementation of key state functions—the achievement of priorities and goals of state policy in the field of socioeconomic development and national security. In other words, a state program is an instrument of state regulation of the economy, ensuring the achievement of promising goals and objectives through the use of available resources.

State programs are documents of an inter-sphere, inter-sectoral, and inter-departmental nature that define goals, objectives, and expected results in the priorities and strategic directions of the country's development and are developed for a period of at least 5 years in order to implement the higher documents of the State Planning System.

KEYWORDS: budget, government program, government policy, strategic plan

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STRESZCZENIE

Rola planowania budżetu w poprawianiu wydajności polityki gospodarczej w Kazachstanie

W systemie budżetowym Republiki Kazachstanu, który koncentruje się na uzyskiwaniu korzystnych wyników, szczególne miejsce zajmują programy państwowe. Program państwowy to obszerny dokument określający główne kierunki polityki państwa w zakresie jej wdrażania, co jest bezpośrednio związane ze strategią rozwoju państwa jako całości i z koncepcją rozwoju poszczególnych branż przemysłowych.

W Republice Kazachstanu program państwowy to dokument planowania strategicznego, zawierający zestaw planowanych czynności związanych z zadaniami, terminami, środkami, osobami odpowiedzialnymi za wdrażanie i z instrumentami polityki publicznej, które zapewniają – w ramach realizacji głównych funkcji państwowych – osiągnięcie priorytetów i celów polityki państwowej w zakresie rozwoju socjoekonomicznego i bezpieczeństwa narodowego. Innymi słowy program państwowy jest instrumentem państwowej regulacji gospodarki, który umożliwia osiągnięcie założonych celów poprzez użycie dostępnych zasobów.

Programy państwowe są dokumentami natury międzyszfrowej, międzysektorowej i międzyoddziałowej, które definiują cele i oczekiwane rezultaty odnośnie do priorytetów i kierunków strategicznych rozwoju państwa i są opracowywane przez okres minimum 5 lat w celu wdrażania wyższej rangi dokumentów Państwowego Systemu Planowania.

SŁOWA KLUCZE: budżet, program rządowy, polityka rządowa, plan strategiczny

State programs occupy a special place in the budgeting system of the Republic of Kazakhstan, which is focused on the final results.

In the Republic of Kazakhstan, a state program is a strategic planning document containing a set of planned activities, interlinked by tasks, deadlines, the resources and parties involved, and public policy instruments that ensure—within the framework of key state functions—the achievement of the priorities and goals of state policy in the fields of socioeconomic development and national security.

To date, eight state programs have been developed in the Republic of Kazakhstan. Table 1 shows the main indicators of these state programs of the Republic of Kazakhstan.

Table 1*State Programs of the Republic of Kazakhstan, 2013–2019*

No.	Name	Government agency responsible for development	Period of implementation	Amount of financing (billions of KZT)
1.	State Program for Infrastructure Development, “Nurly Zhol”	Ministry of National Economy	2015–2019	7,676.1
2.	State Program for Development of the Agro-industrial complex	Ministry of Agriculture	2017–2021	2,374.2
3.	State Program for Healthcare Development, “Densaulyk”	Ministry of Health and Social Development	2016–2019	1,969.7
4.	State Program for Development of Education and Science	Ministry of Education and Science	2016–2019	1,405.4
5.	State Program for Industrial and Innovative Development	Ministry of Investment and Development	2015–2019	878.3
6.	State Program for the Functioning and Development of Languages	Ministry of Culture and Sports	2011–2020	19.1
7.	State Program, “Information Kazakhstan – 2020”	Ministry of Investment and Development	2013–2019	3,482.17
8.	State Program on Combating Religious Extremism and Terrorism	Prosecutor General’s Office	2013–2017	103.2

State programs in the Republic of Kazakhstan are developed in order to implement the policies of the State Planning System, such as the Development Strategy of Kazakhstan until 2050, the Strategic Development Plan of the Republic of Kazakhstan until 2020, etc.

The tasks specified in the documents at the first level of the state planning system must also be present in the state programs.

In 2017, the government took a number of measures to implement the recommendations of the Accounts Committee which were aimed at improving the efficiency of the implementation of program documents by ensuring the achievement of performance indicators, in particular:

- introducing a mandatory interim assessment of the implementation of program documents at least 2–3 years after they come into effect,
- establishing a ban on adjusting the indicators of program documents in the last year they are valid,
- ensuring cascading of target indicators of documents of the state planning system in the strategies and development plans of national holdings and companies, and
- regulating the requirement to work on errors by assessing the implementation of a state or government program before setting it for loss.

At the same time, an analysis of the implementation of the national budget for the reporting period indicates the persistence of certain systemic shortcomings that impede the effective implementation of policies defined by the Head of State in the documents of the state planning system (Methodology for Assessing Achievement of Goals, 2019).

- In most cases, the main macroeconomic indicators of a country (GDP growth, decline in unemployment, growth in the non-primary sector of the economy, and non-primary export) are presented as indicators which are influenced by both external and internal factors that do not arise from the program document.
- The target indicators of program documents are adjusted downward while the amount of funding is simultaneously increased.
- There is a duplication of the goals, objectives, and activities of program documents.
- In this regard, it is not possible to track the actual effect of invested financing on the country's economic development from the implementation of the activities of a specific program.
- Achieving the performance indicators in the development programs of all regions in the aggregate during their decomposition does not ensure that the planned target indicators of a higher program document will be achieved.
- There is a lack of consistency and continuity of development in some sectors of the economy.
- The development of government programs is carried out without taking into account the potential risks of their untimely implementation. A lack of proper explanatory work and, in some cases, regulatory

legal support prevents widespread access to state support tools aimed at developing entrepreneurship and job creation.

Thus, the program and target orientation of the budget is not fully ensured, nor is a significant multiplier effect on the development of economic sectors.

As part of assessing the effectiveness of the implementation of state and government programs, an analysis was carried out with cascading the achievement of target indicators and indicators of the results of various industries' development according to the sequence from the level of national target indicators and indicators of the Strategic Development Plan of the Republic of Kazakhstan until 2020 (Strategy 2020) to indicators of the results of budget programs.

Given that Strategy 2020 is set at a loss without an appropriate assessment, the weaknesses and strengths of the current state planning system are required to ensure the effective implementation of the Strategic Development Plan of the Republic of Kazakhstan until 2025 (Strategy 2025).

The State Program for Healthcare Development of the Republic of Kazakhstan – “Densaulyk,” 2016–2019

The goal of the health program is to improve public health in order to ensure sustainable social and economic development of the country. The implementation of the program is scheduled for the period 2016 to 2019. The executors of the program are the Ministries of Health and Social Development (executive officer), Internal Affairs, Culture and Sports, the National Economy, Defense, Education and Science, Investment and Development, Agriculture, Finance, Energy, and Justice, as well as the Municipality of Nur-Sultan and Almaty regions.

Strategy 2020 is not broken down into the program indicators in two indicators, which does entail the risk that certain key priorities and guidelines for the development of the healthcare sector will not be fulfilled. No changes or additions were made to the current program (the funding levels and indicators were unchanged).

In accordance with the passport and according to the Action Plan for implementing the program, financing is provided in the total amount of 1,969.7 billion KZT (KZT).

Table 2

Breakdown of Financing for the Program for 2016–2017 (millions of KZT)

Source of financing	2016				2017			
	By Program	Planned	Actual	Deviation	By Program	Planned	Actual	Deviation
1	2	3	4	5=4-2	6	7	8	9=8-6
National budget	92,389.3	110,542.0	109,237.6	16,848.3	69,309.9	170,495.7	166,287.2	96,977.3
Local budget	34,945.5	43,227.6	43,127.4	8,181.9	19,035.9	9,779.9	9,771.7	-9,264.2
Other sources (Health Insurance Fund, National Fund)	700.0	700.0	699.9	-0.1	319,735.0	–	–	-319,735.0
Total	128,034.8	154,469.6	153,064.9	25,030.1	408,080.9	180,275.6	176,058.9	-232,022.0

The funds of the Social Health Insurance Fund (FSMS) have not been used as planned. The execution of the program for the reporting period was instead carried out at the expense of the national and local budgets (Methodology for Assessing Interaction, 2017).

The predicted and utilized amounts of budgetary funds are significantly different from the amounts approved by the Action Plan (in 2016: 25,030.1 million KZT; in 2017: 232,022.0 million KZT).

- In 2017, local budgets reduced the amount of financing of program activities by 9,264.2 million KZT against the background of excess funding in 2016 by 8,181.9 million KZT.
- Losses were incurred due to litigation in the supply of liquid cytology containers in the East Kazakhstan region (78.8 million KZT), the failure to submit acts of work performed by foreign clinics due to the completion of the treatment course (482.0 million KZT), and a tender for the purchase of laboratory equipment which was not won (361.0 million KZT).
- In 2017, the non-use of funds financed by external loans from the national budget in the amount of 3,161.3 million KZT was accompanied by a failure to achieve the indicator for providing electronic health passports (planned: 2%; actual: 0%).
- This situation has arisen due to difficulties encountered in the procurement procedures for the platform as part of the World Bank project.

Due to the peculiarities of the implementation of projects involving co-financing from international financial organizations, there are risks

that the objectives of the Concept for the Development of e-health of the Republic of Kazakhstan, 2013–2020—in terms of creating electronic health passports for the country’s population by 2020—will not be met.

The State Program for Industrial and Innovative Development of the Republic of Kazakhstan, 2015–2019 (GPIIR)

The aim of this program is to stimulate the competitiveness of the manufacturing industry, aimed at increasing labor productivity and the volume of exports of processed goods.

The program is planned to be valid from 2015 to 2019. The executors of the program are the Ministries for Investment and Development (the main executor), Agriculture, Energy, and the National Economy, as well as local executive authorities “Baiterek” NMH JSC, “KazAgro” NMH JSC.

In accordance with the Strategic Plan of the Ministry for Investment and Development (MID), the target indicators of the State Program for Industrial and Innovative Development are aimed at implementing the following goals of Strategy 2020:

- domestic and foreign investment in non-primary sectors of the economy (manufacturing, agricultural processing, and services) will increase by at least 30%,
- the share of foreign direct investment (FDI) in GDP will increase by 10%,
- sources of investment will be diversified (10 major investing countries, each with a share of 5% or more),
- manufacturing will represent at least 13% of the GDP,
- non-primary exports will represent at least 45% of total exports,
- the volume of non-oil exports will be at least 50% of the total production of the manufacturing industry,
- labor productivity in the manufacturing industry will increase at least twofold,
- the energy intensity of GDP will decrease by at least 25%,
- the share of innovatively active enterprises will increase to 20%,
- the gross production of chemical products will increase threefold, and
- more than 20 new types of chemical products will be produced.

In accordance with the state program of industrial and innovative development, an increase in the proportion of manufacturing in overall GDP is projected to reach 11%–12% (taking into account global trends in the increasing role of services in the global economy and other factors).

It follows that the state support of the manufacturing sector within the framework of the State Program for Industrial and Innovative Development is not aimed at increasing the share of manufacturing in the GDP structure to 13%, as provided for in Strategy 2020. This, in its sense, calls into question the policy focus on diversifying the economy.

In accordance with the State Program for Industrial and Innovative Development, a new direction is provided for the implementation of its main priorities through ensuring the attraction of investment, including foreign investment. Also, in accordance with the State Program for Industrial and Innovative Development, investments in fixed assets in the manufacturing industry are calculated in order to achieve the target indicators for the value of exports and to increase labor productivity in the manufacturing sector (Methodology for Assessing Development, 2019).

Given the above and the fact that investment in fixed assets is a factor which directly affects labor productivity, according to the estimates of the Accounts Committee, the target indicator for investments in fixed assets in manufacturing is more aimed at achieving the Strategy 2020 goal of increasing labor productivity in the manufacturing sector.

The objectives of Strategy 2020 to increase the gross production of chemical products and expand the types of chemical products have not been specifically reflected in the State Program for Industrial and Innovative Development. So, in the latter, agrochemistry, petrochemical chemistry, and the production of chemicals for industry, which are provided as key priorities, do not contain specific indicative parameters in terms of their output and proportions.

Of the target indicators presented, only an increase in export volumes fully characterizes the competitiveness of manufacturing products. The remaining indicators are factors which affect competitiveness, and according to the estimates of the Accounts Committee, they do not sufficiently characterize the dynamics of its change. There is no correlation between the target indicators and the tasks and activities of the State Program for Industrial and Innovative Development.

It should be noted that the measurement of the indicator for increasing export volumes in the program is based on its growth in terms of value (U.S. dollars), which largely depends on the influence of price factors, that is, on changes in the price of products and the KZT exchange rate. In conclusion, the measurement of export volume in value terms when the Kazakh tenge is weak against the U.S. dollar distorts the real picture of the volume of exported goods. According to the estimates of the Accounts Committee, the measurement of the indicator under consideration should also be carried out in physical terms (in tons), which objectively reflects the degree of industry competitiveness on the domestic market.

Along with the fixed target indicators, the program identifies four tasks with their corresponding performance indicators and measures:

- completing an effective basic industry through the modernization of enterprises in traditional sectors,
- creating new points of industrial growth through the implementation of large industry-forming projects,
- ensuring the conditions for the emergence of highly efficient industrial entrepreneurship oriented at export and/or a continuous increase in the productivity of their labor, and
- creating the prerequisites for the emergence of a critical mass of innovatively active businesses.

Parallels and duplicated measures of state support for the manufacturing sector in the framework of other program documents are noted. Thus, the State Program for Industrial and Innovative Development indicators and objectives intersect with other program documents in some cases. Due to this connection, it is not possible to assess the actual impact measures of state support had on achieving certain results.

A comprehensive audit of all state support measures is required in order to eliminate the redundancy and mutual contradiction which impede efforts to increase the effectiveness of measures aimed at balanced economic growth of the country and to determine the degree of impact each program document has on the target setting in a given area.

The Government Decree from October 30, 2014, No. 1159, approved the plan of measures for implementing the State Program for Industrial and Innovative Development, consisting of 87 measures—41 of which require funding. The implementation period for 26 events was to be completed by 2017 or 2018.

On September 6, 2016, the State Program for Industrial and Innovative Development introduced changes aimed at reducing the number of target indicators and revising their values. The values of the target indicators for the growth of non-commodity exports, labor productivity, and energy intensity underwent changes.

The adjustment of the “Increase in Labor Productivity in the Manufacturing Sector” target indicator demonstrates a decrease relative to the previously planned growth, while the funding for the State Program for Industrial and Innovative Development activities was increased from the national budget by 36.4%, from 643.9 billion KZT to 878.3 billion KZT, mainly aimed at achieving the indicator in question. A corresponding decrease was achieved due to changes in the base comparison period from 2012 to 2015, according to which there has been a trend of a significant decline in labor productivity relative to the positive dynamics of 2012, and an actual decrease in the value of the indicator, from 37% to 22%.

This downward correction of the State Program for Industrial and Innovative Development target indicators along with an increase in funding volumes is irrational. According to the estimates of the Accounts Committee, if the conditions affecting the implementation of the program change, the instruments for achieving the goals should be specified, and not the goals themselves. The current situation indicates poor planning of the values of target indicators in the development of the State Program for Industrial and Innovative Development.

The action plan for the implementation of the program (the Government Decree from October 30, 2014, No. 1159) provides for various sources of financing (national and local budgets, the National Fund, borrowed funds, private funds of businesses, and private investments). In fact, according to the Ministry of Investment and Development, from 2015 to 2017, funding was provided each year from the national budget, including through targeted transfers from the National Fund.

Thus, in 2015, almost 90% of all funds allocated to the implementation of the program were allocated towards increasing the value of exports (Moldashev, 2017). In 2016, half of the funds budgeted by the State Program for Industrial and Innovative Development were expenses for the target indicator for investments in fixed assets.

This dynamic continued; according to the results from 2017, the costs of achieving the target indicator for investments in fixed assets amounted to 61% of the total funds budgeted by the State Program for Industrial and Innovative Development (excluding local budgetary funds).

A parallel increase was noted (starting from 2016) in financing activities aimed at achieving the target indicator for labor productivity, bringing its share in the financing structure by the end of 2017 up to 25% (in 2015: 7.2%; in 2016: 14%). Moreover, in the budgetary programs there are no indicators of the productivity growth of businesses that received state support.

Thus, a significant portion of the funds is allocated for financing activities whose impact on the achievement of target indicators is impossible to assess in terms of their indirect impact.

The State Program for the Development of Productive Employment and Mass Entrepreneurship, 2017–2021

The goal of the employment program is to promote productive employment and citizens' involvement in entrepreneurship. The implementation of the program is scheduled for 2017–2021. The executors of the program are as follows:

- in the first area of the program (providing program participants with technical and vocational education and short-term vocational training), the Ministry of Education and Science,
- in the second area of the program (development of mass entrepreneurship), the Ministries of the National Economy and Agriculture, and
- in the third area of the program (the development of the labor market through the promotion of employment and labor mobility—overall coordination of the program), the Ministry of Labor and Social Protection of the Population.

Strategy 2020 is not broken down into the program indicators by 3 indicators, which creates the risk that certain key priorities and guidelines for the development of productive employment will not be realized.

In accordance with the program passport and the Action Plan, the implementation of the tasks is provided for by funds from the state budget in the amount of 258.3 billion KZT: 122.5 billion KZT from the national budget and 135.8 billion KZT from the local budget.

Table 3

Volumes of Financing of the Program for 2017 (millions of KZT)

Source of Financing	By Program	2017		
		Planned in budget	Actual	Deviation
1	2	3	4	5=4-2
National Budget	40,296	40,525.7	40,440.6	144.6
Local Budget	45,038.4	39,032.6	38,796.0	-6,242.4
Total	85,334.4	79,558.3	79,236.6	-6,097.8

According to a report from the government, there was an excess of finance allocation in the amount of 144.6 million KZT from the national budget; underfunding from the local budget amounted to 6,242.4 million KZT under the law titled “On the Volume of Transfers of a General Nature between the National and Regional Budgets, Budgets of the City of National Significance, the Capital, for 2017–2019” (hereinafter, general transfers). At the same time, the funds allocated under general transfers were not fully utilized—the savings amounted to 236.6 million KZT.

Of the budgetary subventions forecast for 2017 for the implementation of program activities, the Ministries of the National Economy, Education and Science, and Labor and Social Protection distributed 23.8 billion KZT in areas, while the balance of the unallocated amount nationwide amounted to 16.2 billion KZT as originally created savings, for 2018—6.2 billion KZT. In this connection, poor planning was noted in determining the need for budgetary subventions. Also, it was proven that some funds and savings on general transfers were used for purposes unrelated

to the implementation of measures for capital, medium-term and current repairs, and the improvement of settlements (Muratbekova, 2015).

“Nurly Zher” Housing Program

The goal of the housing program is to increase the availability of housing for the population. The program is planned to be in effect from 2017 to 2021. The executors of the program are the Ministries for Investment and Development (the main executor), the National Economy, Finance, Energy, and Agriculture, as well as the local executive authority, the National Bank, joint-stock companies Baiterek National Management Holding, “Kazakhstan Mortgage Company,” “Samruk-Kazyna National Welfare Fund,” and “Samruk-Kazyna Real Estate Fund”, and the Housing Construction Savings Bank of Kazakhstan.

Strategy 2020 does not include indicators for characterizing housing affordability for the population.

The “Nurly Zher” program has been adjusted twice (in October 23 and December 26, 2017) in terms of changes in funding, the indicators of results, and implementation mechanisms. There has been a systemic decrease in the indicators of the program’s results, which has not entailed appropriate adjustments to the target indicator.

Thus, reductions were made in the volumes of commissioning credit and rental housing (by 1.4695 million m²), housing commissioning due to subsidized loans from developers (by 31,400 m²), extra-budgetary funds allocated for the implementation of the “Nurly Zher” program (186.1 billion KZT), the issuance of a guarantee for shared construction by the Guarantee Fund (342.7 billion KZT), subsidized mortgages for housing purchases (240 billion KZT), and subsidized loans to developers (5 billion KZT).

A decrease in performance indicators was also noted in the number of subsidized mortgages for the purchase of new housing (by 16,000 units) and the coverage of the shared construction market with a guarantee from the Guarantee Fund. Moreover, these changes do not correlate with the objective of the program, to increase the availability of mortgage lending and stimulate housing construction by private developers.

Systematic adjustments predetermine the conclusion that there are no corresponding forecasted projects for credit and rental housing in the regions indicated for the implementation of the planned volumes of the program, which creates the risk that the planned indicators for the commissioning of housing will not be achieved. The mechanism and volume of extra-budgetary funds, including funds for bond loans of quasi-public sector entities for housing construction, has repeatedly changed.

These facts indicate poor planning by the authorized body for architecture, urban planning, and the construction of allocations between regions of funds raised through the issuance of bonds, taking into account the debt limits of the budgets of local executive authority regions, and the cities of Nur-Sultan and Almaty.

In addition, it should be noted that the demand for housing significantly exceeds supply. For example, as of January 1, 2012, there were 197,400 people on the waiting list in the local executive authority to receive housing from the housing stock; as of July 1, 2017, it was 450,700—more than a two-fold increase (128%). At the same time, the sharp decline in the indicators of new instruments for subsidizing mortgages for housing purchases and loans to developers indicates possible failures in the approaches being used.

In the approved national budget for 2017–2019, funds in the amount of 11.0 billion KZT and 10 billion KZT were provided for subsidizing interest on loans to developers and mortgages issued to the population, respectively, through a targeted transfer from the National Fund (the funds were transferred to the financial agents of the joint-stock companies “Damu” Entrepreneurship Development Fund and “Kazakhstan Mortgage Company”), which were reduced to 700 million KZT and 600 million KZT, respectively, when the national budget was updated for 2017.

Clearly, problems in the subsidy mechanism have been traced which prevented the task of increasing the availability of mortgage lending from being achieved during the reporting period; therefore, the allocated funds were used inefficiently. Moreover, prerequisites have been created for financial agents to receive remuneration by placing funds intended for subsidies in a second-tier bank (Mukhamedieva, 2012, p. 105).

According to a government report, the non-achievement of the goals stems from the late implementation of the program and from the disinterest of commercial banks in developing a mortgage, due to the lack of long-term funding in Kazakh tenge and the requirements of banking legislation. In this regard, it is seen that the above approaches are not being implemented effectively and do not stimulate demand from the population or offers from private developers.

This negative trend and the associated risk were noted in the framework of the Accounts Committee’s Conclusion on the draft law, “On the National Budget for 2018–2020.” According to the estimates of the Accounts Committee, the achievement of the “Housing commissioning financed by all sources” target indicator, against the backdrop of the related performance indicators not being fulfilled, denotes the risk of inefficiency of the planned measures in the field of housing construction.

In accordance with the program passport and according to the Action Plan, funds in the amount of 1,335.4 billion KZT are allocated for its

implementation, of which 802.8 billion KZT is from the national budget and 552.6 billion KZT is from private equity, including entities of the quasi-public sector.

Table 4

Volumes of Financing of the “Nurly Zher” Program in 2017, By Source (millions of KZT)

Source of Financing	“Nurly Zher” Program	2017 year		Deviation
		Planned	Actual	
1	2	3	4	5=4-2
Total	214,961	171,656.0	170,656.0	-44,305.6
including:				
– National Budget	168,861	36,845.3	36,845.3	-132,016.0
– National Fund		90,710.4	90,710.4	90,710.4
– Extra-budgetary funds, including bond loans	46,100	44,100.0	43,100.0	-3,000.0

State Program for the Development of Education and Science of the Republic of Kazakhstan, 2016–2019 (GPRON)

The goal of this program is to increase competitiveness in education and science and to develop the human capital needed for sustainable economic growth. The program is scheduled to be valid from 2016 to 2019. The executors of the program are the Ministries of Education and Science (executive officer), Agriculture, Health and Social Development, Investment and Development, Finance, Culture and Sports, the National Economy, an Internal Affairs, as well as the municipalities of Nur-Sultan and Almaty, and regions.

Strategy 2020 is not broken down into the program indicators by two indicators, which suggest the risk of failing to fulfill certain key priorities and guidelines for development in the field of science.

In accordance with the State Program for the Development of Education and Science passport, budgetary funds and other funds not prohibited by the legislation of the Republic of Kazakhstan are provided for the execution of activities in the amount of 1,423.4 billion KZT (1,153.0 billion KZT from the national budget, 252.4 billion KZT from the local budget, and 18.0 billion KZT from other sources).

According to the Plan of Measures for the implementation of the program, the actual financing amounted to 1,390.1 billion KZT, with a deviation from the local budget of 33.3 billion KZT when compared with the approved passport of the State Program for the Development of Education

and Science. Moreover, in the Plan of Measures for the implementation of the program, other sources of financing are presented only in a total amount over the years, without listing their allocation to the relevant activities (General Standards, 2016).

There was a decrease in the initially approved amount of financing of the State Budgetary Scientific Practical Program at the stage of developing an action plan for its implementation.

Table 5

Volumes of Financing of the State Budget for Social Protection in 2016–2017, By Source (millions of KZT)

Source	2016				2017			
	GPRON	Planned	Actual	Deviation	GPRON	Planned	Actual	Deviation
National Budget	322,349.0	322,930.6	322,082.6	-266.4	261,801.0	241,264.6	240,552.6	-21,248.4
Local Budget	55,141.2	157,789.9	155,483.5	100,342.3	57,819.6	204,092.4	203,862.6	146,043.0
Other Sources	–	–	–	–	3,379.2	–	–	-3,379.2
Total	377,490.2	480,720.5	477,566.1	100,075.9	322,999.8	445,357.0	444,415.2	121,415.4

Despite the plan to attract extra-budgetary sources of financing, the implementation of the activities of the GPRON was in fact carried out exclusively from budgetary funds. Throughout the program's entire period of implementation, one of the reasons for the budgeted funds not being allocated (total amount of non-execution for 2016: 3,154.3 million KZT; for 2017: 941.6 million KZT) remains litigation.

The process of introducing a results-oriented state planning system in Kazakhstan proceeded largely randomly, with minimal analysis of the previous steps. Multidirectional innovations created an additional burden on government entities, which resulted in a negative perception of the system and contributed to the growth of formalism and an increase in opposition from government entities. Consider the conducted SWOT analysis of the strengths and weaknesses of the results-oriented state planning system (Table 6).

Table 6

SWOT Analysis of the Results-Oriented Public Planning System

Strengths	Weaknesses
advantages for the government: <ul style="list-style-type: none">• more complete information on the implementation of state tasks and the use of budgetary funds in various areas of the state is regularly received• a potentially more efficient distribution of budgetary funds between competing cost items due to more accurate and complete information on the results of the program in accordance with the priorities of state policy• less budgetary funding through increased efficiency of the public sector• the ability to compare several proposed program options in terms of expected results and costs• prerequisites for increasing control over the activities of ministries and departments by establishing performance indicators and comparing actual results with forecasts• identification and elimination of duplicate or ineffective programs	<ul style="list-style-type: none">• dependence on international institutions and organizations• the inappropriateness of accurately copying foreign experience in all-Russian and regional conditions• strict requirements on the timeframe for introducing innovations in budget reform (1–2 years), which does not allow for a deep, comparative analysis of the proposed new principles of budget management• fewer objects of direct state administration: budget services are provided by a small number of agencies, the privatization of state property continues, and the development of outsourcing of public services is planned• a large political component in state budget management• attempts to shift all types of effects (including political or social) to a quantitative, measurable basis of performance indicators within the framework, and to deny a non-economic approach• high requirements for a clear statement of goals and results• aggregation of budgetary expenditures, which does not provide a clear picture of budgetary spending and which reduces the transparency in managing budgetary funds• integrating results-oriented budgeting into the budgeting process is challenging (this problem has not been fully resolved in any country)• establishing a link between socially useful results with the amount of funding and the activities of subordinate organizations is difficult• the lack of a systematic approach in applying the various methods and criteria for evaluating the effectiveness of budget management
advantages for institutions: <ul style="list-style-type: none">• independent spending of budgetary funds to achieve desired results is possible (independence in the operational management of expenses, cost savings, and changes in the cost structure while observing appropriation limits and within programs)• the relationship between the expected results of the program and the amount of resources required can be at least approximated—it is better to plan your activities• requests for increased budgetary financing can be reinforced with an economically sound calculation of the effectiveness of the program	
advantages for society: <ul style="list-style-type: none">• better understanding of what goals the government sets for itself, how well those goals meet the needs of the population, to what extent these goals can be achieved, and at what cost	

Opportunities

- interaction between public authorities on the exchange of management information can be optimized
- contractual relations between state authorities and the largest taxpayers of the region can be established
- the timing of the budgeting process can be streamlined, providing information necessary for developing the budget
- optimal solutions for maintaining the budget network and alternative sources of budgetary revenues can be found, improving public administration of non-tax budgetary revenues
- an operational and visual system of indicators and criteria for the effectiveness of budget management can be created for the purposes of “internal” public administration

Threats

- increased dependence on financial support from the national budget and international institutions to finance various projects of administrative and budgetary reforms
- in case of a deficit or inefficient debt policy, bankruptcy of the state or municipalities in connection with the loss of financial and budgetary independence
- an increase in the number of executive bodies, a decrease in the quality of labor, and an increase in red tape
- the loss of traditional approaches and many years of experience managing the state budget, and the difficulty in restoring it in case new principles and methods must be introduced into the framework of budget reform

The main conclusion that can be drawn from this analysis, first of all, relates to the formal side of the approach in state planning. As a rule, it all comes down to the presence and enumeration of a large number of programs, at both the central and local levels, artificially creating an erroneous representation of the “state scale” in planning (Ogorodnikov, 2018).

As the analysis shows, the implementation of activities to implement industry programs have their own flaws regarding the stages of development, implementation, monitoring, and control. Most of them are focused on functions that were not within the competence of state bodies, the lack of clear financial support procedures, and the discrepancy between the estimated costs and the actually available funds.

Industry programs were primarily aimed at obtaining financing, without an analysis of the multiplicative effect of its implementation (economic, social, etc.). The mechanism of interaction between government agencies was limited to an action plan for the implementation of programs that failed to ensure the coherence, consistency, and relevance of the measures implemented.

During the implementation of the programs, the following problems were noted: the lack of proper coordination at both the central and regional levels on the implementation of programs; the lack of any preliminary study; and the failure to meet deadlines due to the lengthy implementation mechanisms.

At the stage of monitoring and control of sectoral programs, non-compliance with the requirements for intermediate monitoring was noted,

which led to a waste of budgetary funds throughout the entire phase of program implementation and closure, as well as the lack of transparency in the implementation of program documents and formal personal responsibility.

The next step in the further improvement of the results-oriented state planning system was the introduction of the evaluation process in 2010 when the System of Annual Assessment of the Effectiveness of Government Bodies was introduced (Omirbaev, 2007, p. 132).

The purpose of the assessment was not to punish ineffective state entities, but to identify systemic problems, and study and disseminate the positive experience of the most effective state structures. One area was the assessment of the effectiveness of achieving and implementing strategic goals and objectives.

At the beginning of the assessment, when analyzing the quality of the strategic plans of state entities, the appraisers fixed a formal approach for the state entities in drawing up plans. The target indicators did not help in determining the achievement of the goals and objectives, which were formulated vaguely, without clear criteria. On the one hand, this could be explained by the complexity of planning in social systems, as well as the lack of sufficient experience in monitoring and forecasting key performance indicators of a state body for that assessment period.

The first results of the assessment made it possible to identify the main systemic problems of strategic planning in Kazakhstan, as well as to begin targeted work to eliminate them. After the assessment, all state entities received individual conclusions on the quality of the preparation and implementation of their strategic plans. In addition, the conclusions contained recommendations for correcting the deficiencies which had been identified. As a result, during the assessment for 2010–2012, there was a tendency to improve the efficiency of government bodies. Thus, the assessment, launched in 2011, became a prerequisite for qualitative change and improvement of the state planning system in Kazakhstan.

Nevertheless, at present, an urgent issue is improving the procedures for planning strategic goals and objectives and developing a clear mechanism for exchange, at the state level, of budgetary funds as well as material and human resources. This is necessary since the absence of such a mechanism leads to poor execution of the program with the full development of budgetary funds, as the evaluation experience shows. Unfortunately, the practice is basically to evaluate programs according to the plan for the development of budgetary funds, and not the actual material result (Omirbaev et al., 2012, p. 205).

In general, there are problems requiring further improvement of the current system of state planning:

1. the large number of documents of the state planning system, which complicates their effective implementation,
2. the quality of documents of the state planning system,
3. the duplication of documents and indicators of the state planning system,
4. the weak relationship of strategic, economic, and budget planning,
5. ineffective risk management,
6. the imperfection of the mechanisms for evaluating the effectiveness and efficiency of the implementation of documents of the state planning system and the activities of state entities, and
7. the qualifications of personnel involved in the planning process.

1. Poor budgeting

In the practice of budget planning of state entities of Kazakhstan, it is allowed for administrators of budget programs to include unreasonable and inflated expenses in the process of forming a budget for the upcoming period. When considering budget applications, the procedure for recording the results of budget execution of previous years, achieving results, the results of inspections, etc. is not regulated. Poor planning is evidenced by the annual increase in the volume of redistributed funds (10.0% of the budget).

2. Quality of state planning system documents

When developing and implementing strategic and program documents, there are certain disadvantages and issues, such as the following: (The Main Provisions, 2011)

- A large number of program documents containing a large number of indicators are being implemented, which leads to dispersal, the inefficient use of financial resources, and complicated monitoring and control over their implementation.
- Some of the strategic goals of the parent documents are not broken down into subordinate documents. Moreover, some goals are directly duplicated in the subordinate documents of the state planning system.
- About 30% of strategic goals are not quantifiable, which makes it difficult to monitor their achievement.
- The number of indicators in the strategic plans of government entities varies from 90 to 1,000 units.
- Forecasting of planned values of indicators is not carried out at the proper level. Due to the lack of evidence-based planning methods, there

is a practice of unreasonably underestimating the planned values of indicators.

- The synchronization of the state planning system with statistics is not ensured. There is no clear system for collecting statistical indicators, which makes it difficult to monitor and evaluate the achievement of individual indicators.
- The data of state entities collected in the framework of administrative accounting is not systematized and is not sufficiently accessible for both statistical agencies and other interested state entities.

3. Duplication of documents and indicators of the state planning system

Separate sectoral programs duplicate both state programs and strategic plans of the relevant state entities in terms of goals, activities, and indicators. For example, the Sectoral Road Safety Program for 2012–2014 duplicates the Strategic Plan of the Ministry of Internal Affairs of the Republic of Kazakhstan for 2011–2015.

Some strategic objectives are implemented through several program documents. For example, the construction of engineering infrastructure is carried out according to several programs: Business Roadmap – 2020, Employment Program – 2020, the “Development of Regions” program, the Program for the Development of Single-Industry Towns for 2012–2020, and the “Affordable Housing – 2020” program.

At the local level, the existing strategic plans of the executive bodies, financed from the regional budget and the budget of the cities of Nur-Sultan and Almaty, duplicate the respective regional development programs in terms of content, indicators, and measures.

4. Weak relationship of strategic, economic, and budget planning

In accordance with the basic principles of a results-based budget, the strategic plan of the state body should focus on the development priorities of the supervised sphere for the medium-term in conjunction with budgetary expenditures. At the same time, certain key problems of the relationship of strategic, economic, and budget planning are highlighted below.

The strategic plans of government entities include indicators on the national level, the achievement of which depends on the integrated work of a number of government entities and businesses, for example, indicators reflecting the general state of society, ecology, and the economy, which can

be influenced by both external factors and the environment, natural phenomena, global trends, etc. (Regulation, n.d.).

The government's strategic plans also include indicators and measures whose implementation does not directly affect the achievement of priority goals and objectives. These indicators and activities reflect ongoing activities and should be included in the operational plan. The presentation of detailed and extensive information is not conducive to a full analysis of the document and distracts attention from the truly important strategic tasks.

Also, the strategic plans of state entities are frequently adjusted in connection with changes in budget parameters and the adoption of new documents of the state planning system.

In accordance with the Budget Code of the Republic of Kazakhstan, the budget program determines the direction of budgetary expenditures, interconnected with strategic directions, goals, objectives, and outcome indicators established in the strategic plan of the state body. The budgetary program should contain indicators of results and the amount of financing of budgetary expenditures. However, in practice, budgetary programs are formed on the basis of planned types of expenses, financing mechanisms, as a result of which several budgetary programs are implemented to achieve one goal or task, or one budgetary program is aimed at achieving several goals and objectives. This situation does not allow the amount of funds necessary to achieve the corresponding goal and task to be determined.

5. Ineffective risk management

When developing a strategic plan, the state entity does not plan its risks or only plans them formally, and the risk management measures are declarative in nature. The potential consequences of the risks are underestimated. In conditions of global volatility, risk management should be carried out systematically for subsequent management decisions.

For example, the reason for the decline in exports of the metallurgical industry in 2011 was the unavailability of transport for goods, following the oversight of considering the risk of transport insecurity. As a result, the necessary measures were not taken to prevent this risk, which led to a decrease in the foreign trade balance of Kazakhstan.

6. Imperfection of mechanisms for assessing the effectiveness and efficiency of the implementation of documents of the state planning system and the activities of state entities

Despite positive trends resulting from the implementation of assessment in the state planning system, approaches to the assessment of documents of the state planning system do not yet fully comply with international standards. At the same time, there are a number of structural problems that need to be addressed.

The existing assessment of strategic and program documents (with the exception of territorial development programs) is mainly aimed at assessing the degree to which the planned results are achieved. There is limited assessment of social and economic efficiency, planning quality, and the sustainability of maintaining the achieved effect of strategic and program documents, (Nazarbayev, 2013) as well as measurement of the level of satisfaction of beneficiaries.

According to the current legislation, strategic and program documents are evaluated every three years and upon their completion—with the exception of territorial development programs and strategic plans, which are evaluated annually. The Strategic Development Plan of the Republic of Kazakhstan until 2020, the Forecast Scheme of the country's spatial development until 2020, state and industry programs, territorial development programs, and the strategic plans of government entities are subject to assessment. This assessment provides an analysis of the achievement of specific results and the factors that influenced the implementation process, as well as recommendations for adjusting the document and more. However, the assessment does not cover the analysis of the relationship between strategic and budget planning, in particular, strategic indicators and the budgetary funds planned for their implementation, which over the years has not resolved the problem of their low correlation.

Extension of the assessment coverage has been hindered by the high resource intensity of this process, due to the following reasons: a lack of developed mechanisms of internal assessment in the evaluated structures, insufficient participation of the public sector in the assessment process, and a lack of automated information systems. Finally, the consequence of the increased resource costs of the assessment is inefficiency and a limited choice of analytical tools.

7. The qualifications of personnel involved in the planning process

One of the most important factors affecting the successful functioning of the state planning system and the application of the main principles of budgeting for results are the qualifications of the personnel involved in the planning process, their skills in developing non-financial indicators (target indicators and performance indicators), and definition of the necessary measures to achieve goals and objectives. The main problems in this area are the insufficient qualifications of employees of state entities, high staff turnover, at both the central and regional levels, a lack of continuity, and insufficient quality of education.

The topic of results-oriented budgeting is still insufficiently explored, not only in Kazakhstan, but throughout the world. There are many examples and descriptions of how the governments of various countries have sought to link the budgeting process and the planning of an activity's results; a number of researchers have shown the pain points of the traditional financial management system. At the same time, though, there remains a clear deficit of critical and comparative analysis which would show the advantages and disadvantages of accumulated practical experience (Decree Dated December 31, 2013; Decree Dated April 23, 2010; Decree Dated August 28, 2009).

Of particular importance is the selection of projects for financing from the budget. Therefore, we consider it appropriate to make the selection according to the following priority criteria:

at the macro level

- the development priorities of economic sectors
- the effect of influence on the development of industries
- the elimination of interregional imbalances
- the lack of an alternative to the budget (strategic objectives) at the project level
- high socioeconomic returns
- opportunities to attract private investment

Thus, it should be noted that the issues of effective management of the budgeting process are still relevant for Kazakhstan. There are significant methodological difficulties in measuring the performance of the government, ministries, and departments, the effectiveness of budgetary expenditures, and the difficulties in more closely integrating results planning and the budgeting process.

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