



THE STRUCTURE OF KAZAKHSTAN'S BUDGET SYSTEM AND RECENT CHANGES IN BUDGET REVENUES

The state budget is a key element of the national economy and entire financial system of any state. Since independence, Kazakhstan has been making intensive efforts to increase efficiency of the budget expenditures and budget process by implementing a number of the budget legislation reforms. The enactment of the Concept to implement the result-oriented system of state planning (2007) and the new Budget Code (2008) provided the legal basis of these reforms. Since early 2010, changes and amendments to the Budget Code have been introduced on a regular basis, with the most recent taking place in 2017.

According to Article 6 of the Budgetary Code, the budgets of the following levels are approved in the budget system of Kazakhstan: 1) the republican budget; 2) the local budget, which includes regional budgets, budgets of the city of the republican significance (Almaty) and the capital (Astana), budgets of districts (cities of regional significance), and budgets of the regional centers. An emergency republican budget may be developed and introduced in Kazakhstan in cases of emergency such as natural disasters or large-scale technological disasters. Kazakhstan is operating a three-year budget system, one of the key principles of which is to give independence to all levels of the state administration in independently carrying out the budget process. Therefore, the local budget is approved and implemented by the relevant authorized bodies (Maslikhats), while the republican budget is approved by the Government and the Parliament. The Ministry of Finance of Kazakhstan and its sub-organizations and institutions that represent central and local authorities carry out all the work on the budget execution.

It should be noted that revenues of the budget in Kazakhstan's Budget Code include taxes, non-tax revenues, proceeds from sales of fixed capital, and transfers, while budget expenditures consist of expenses, budget credits, purchases of financial assets, and repayments of loans. In the case of a decrease in income or an increase in expenditures in lower-level budgets, it is possible to transfer funds to/from the upper level budgets. In addition, there are separate budget categories such as the National Fund of Kazakhstan.

It is worth noting that Kazakhstan managed to significantly increase its republican

budget revenues and expenditures in 2013-2017. The republican budget revenues amounted to 5.18 trillion tenge (\$34.51 billion) in 2013 and reached 7.66 trillion tenge (\$22.93 billion) in 2016, (the fall in dollar value is related with the depreciation of the tenge against dollar) with further increase to 9.54 trillion tenge (\$28.91 billion) in 2017. On the other hand, the republican budget expenditures grew from 5.7 trillion tenge (\$37.97 billion) in 2013 to 10.74 trillion tenge (\$32.55 billion) in 2017, which is a 180% increase in tenge terms. During the reporting period, there was a considerable increase in the amount of loans allocated from the republican budget. In 2013, budget loans amounting to 122.1 billion tenge (\$813.46 million) were issued, while in 2016 the value of loans reached 205.2 billion tenge (\$943.11 million). In addition, 480 billion tenge (\$2.67 billion) was spent on the acquisition of financial assets in 2014, however, the figure significantly declined in 2017 – to 162.4 billion tenge (\$492.12 million).

Currently, tax revenues and transfers represent key items in the structure of the republican budget revenues. The amount of tax revenues increased to 3.66 trillion tenge (\$20.33 billion) in 2014, compared to 3.5 trillion tenge (\$23.33 billion) in 2013. However, in 2015 they dropped to 3.32 trillion tenge (\$12.30 billion). In 2016, the upward trend was observed, and the contribution of tax revenues to the republican budget increased to 4.28 trillion tenge (\$12.81 billion). On the other hand, in recent years the share of transfer revenues in Kazakhstan's republican budget, which consist of transfers from the regional budgets, budgets of the districts, budgets of Almaty and Astana, and transfers from the National Fund, has been increasing steadily. In 2016, the share of the guaranteed transfer from the National Fund in the republican budget reached 53.7%.

According to the available statistics, the guaranteed transfers from the National Fund amounted to 1.38 trillion tenge (\$9.19 billion) in 2013, 1.48 trillion tenge (\$8.22 billion) in 2014, 1.7 trillion tenge (\$6.3 billion) in 2015, and 2.88 trillion tenge (\$7.43 billion) in 2016, which is a 146% increase in tenge terms. In 2017, this figure remained at the same level of 2.88 trillion tenge (\$8.73 billion). In fact, President Nursultan Nazarbayev signed the law on the guaranteed

transfer from the National Fund of Kazakhstan for 2018-2020, under which the government should gradually decrease the amount of guaranteed transfers from the fund.

On December 4, 2017, President Nazarbayev also signed the law on the republican budget for 2018-2020, which entered into force on January 1, 2018. According to the law, the budget deficit is expected to decrease by 1.1% in 2018 and by 1% in 2019-2020. The revenues of the republican budget (excluding transfers) are projected to reach 5.53 trillion tenge (\$16.70 billion) in 2018, 6.40 trillion tenge (\$19.33 billion) in 2019, and 7.17 trillion tenge (\$21.16 billion) in 2020.

At the same time, the amount of guaranteed transfers from the National Fund is expected to reach 2.6 trillion tenge (\$7.86 billion) in 2018, 2.3 trillion tenge (\$6.95 billion) in 2019, and 2 trillion tenge (\$6.04 billion) in 2020. With a projected oil price of \$45 per barrel and a reduction in the volume of guaranteed transfers, the total amount of the National Fund reserves is estimated to be \$62.4 billion (32.5% of GDP) in 2020. The expenditures of the republican budget are expected to amount to 9.21 trillion tenge (\$27.85 billion) in 2018, 9.79 trillion tenge (\$29.6 billion) in 2019, and 10.22 trillion tenge (\$30.88 billion) in 2020.

It appears that Kazakhstan was able to manage the budget policy well, despite the difficulties faced by its economy. Thus, an integrated system aimed at regulating the relations connected with the planning and the use of budget funds and state assets was established. Moreover, efforts are underway to improve the system of inter-budgetary relations, to ensure transparency and stability, and to strengthen the practice of budgetary allocation. However, in order to increase the effectiveness of the budgetary policy in the future, the general economic potential of each region of Kazakhstan needs to be determined. At this point, the income sources of the regions need to be well examined, and it is important to give financial support to the regions that are left behind economically. As a result, the main objective of the budget policy of Kazakhstan is to improve budgetary control and monitoring of expenditures, which would lead to effective and efficient use of resources.

Politics, Foreign Affairs and Security

- During his official visit to Washington, President of Kazakhstan Nursultan Nazarbayev met with U.S. President Donald Trump to discuss the further strengthening of political and security cooperation, trade and investment, and people-to-people interaction. As part of the visit, the head of Kazakhstan chaired a high-level briefing of the UN Security Council on the nonproliferation of weapons of mass destruction and related confidence-building measures held in New York.
- During his official visit to Baku, Chairman of Foreign Relations Committee of Turkey's Grand National Assembly Volkan Bozkir met with President of Azerbaijan Ilham Aliyev to discuss the further strengthening of bilateral ties across the entire spectrum of interstate cooperation.
- During his official visit to Baku, Prime Minister of Bulgaria Boyko Borissov met with President of Azerbaijan Ilham Aliyev to discuss prospects of improving bilateral economic relations and expanding areas of political cooperation.
- On the sidelines of the UN Security Council high-level meetings, the foreign ministers of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, Kairat Abdrakhmanov, Erlan Abdyladaev, Sirodjiddin Aslov, and Abdulaziz Kamilov, joined by Permanent Representative of Turkmenistan to the UN Aksoltan Atayeva, met with U.S. Deputy Secretary of State John Sullivan to exchange views on the development of multilateral cooperation under the C5+1 format. The parties discussed issues of ensuring regional security, countering terrorism, and boosting economic interaction.
- During his official visit to Paris, Foreign Minister of Azerbaijan Elmar Mammadyarov met with Foreign Minister of France Jean-Yves Le Drian to discuss a wide range of issues of mutual interest paying special attention to the Nagorno-Karabakh conflict.
- The Parliament of Turkey announced that the state of emergency in the country was extended for another three months. The ruling Justice and Development (AK) Party and the opposition Nationalist Movement Party (MHP) backed the motion, while the main opposition Republican People's Party (CHP) and People's Democratic Party (HDP) opposed it.

- According to Iran's Army Spokesperson General Shahin Taqikhani, the destroyer Damavand crashed into wave breakers near the port of Anzali in the Caspian Sea, and two of its crew members are missing. It is noted that strong winds during a sea storm led to the crash.

Economy, Finance and Energy

- According to the government of China, the country's economy grew by 6.9% in 2017. It is noted that the growth rate was higher than the expected rate of 6.5%.
- During the official visit of President of Kazakhstan Nursultan Nazarbayev to the United States, 20 commercial documents worth a total of over \$7.5 billion were signed between the Kazakhstani and U.S. companies, including new contracts between the Boeing Company, GE Transportation, GE Digital, Chevron, Air Astana, KazTemirZhol, SCAT Airlines, and the Samruk-Kazyna National Wealth Fund.
- The European Bank for Reconstruction and Development announced its plans to provide an \$8.8 million loan to Kazakhstan for the solar power plant construction in the South Kazakhstan region, near the city of Shymkent. The new Zadarya solar power plant will add 14 MW of solar capacity to Kazakhstan's energy mix, bringing the total existing and planned capacity of renewable energy to 365 MW.
- According to the state-owned oil company of Azerbaijan SOCAR, in 2017 the company transferred more than 155.98 million manats (\$91.7 million) to the State Social Protection Fund under Azerbaijan's Ministry of Labor and Social Protection of Population, which is 8% more than in 2016.
- According to the Statistics Agency of Tajikistan, the country's economy grew by 7.1% in 2017, with the GDP totaling 61.1 billion somoni (\$6.9 billion). It was noted that the share of agriculture in Tajikistan's GDP increased by 0.4% making up 21.1% of the GDP. The industry increased its contribution by 1.9% to 17% of the GDP.
- According to the State Statistics Committee of Azerbaijan, the country's economy grew by 0.1% in 2017 reaching 70.1 billion manats (\$41.48 billion). In 2017, the volume of GDP produced in the non-oil sector increased by 2.6%, while a 5% decline was observed in the oil and gas sector as compared to 2016. Thus, the industrial sphere accounted

for 40.1% of Azerbaijan's GDP, while construction, agriculture, forestry and fishery combined accounted for 15.1%.

Society and Culture

- President of Azerbaijan Ilham Aliyev signed a decree on measures to increase the workload and salaries of teachers working at state primary professional and specialized educational institutions. The decree envisages increasing salaries of employees engaged in administrative and educational activities. Thus, the teachers' load will increase by 1.5 times, while their monthly salaries will double.
- According to the Ministry of Finance of Kyrgyzstan, in 2017 expenditures on the social sphere grew by 4.3 billion soms (\$62.41 million) compared to 2016, totaling 71.1 billion soms (\$1.03 billion). It is noted that the social sphere accounted for 50.9% of all budget expenditures. The largest share was spent on social protection and education – 26.5 billion soms (\$384.2 million) and 25 billion soms (\$362.8 million), respectively.
- According to the Ministry of Emergency Situations of Uzbekistan, a special governmental commission tasked with investigating the causes of the bus fire in Kazakhstan that had killed 52 Uzbek citizens was created in Uzbekistan. This commission will be headed by Prime Minister of Uzbekistan Abdulla Aripov.
- According to the National Academic Library of Kazakhstan, the opening ceremony of the Center of Kazakh Literature and Culture was held at the New York Public Library. The center will allow visitors to get acquainted with the traditions and culture of Kazakhstan, its art and people. The center was opened with the support of the Ministry of Culture and Sports, the Ministry of Foreign Affairs, and the Embassy of the Republic of Kazakhstan in the United States.
- The World Bank signed a \$16.5 million grant agreement with the Government of Tajikistan to fund the Zarafshon Irrigation Rehabilitation and Management Improvement Project aimed at rehabilitating and improving the country's irrigation management practices. The project will allow farmers in the Zarafshon river basin of northern Tajikistan to increase crop production and shift to higher-value crops by strengthening the infrastructure needed for effective irrigation and water resource management.