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## INSTITUTIONAL MECHANISM OF FOURTH-LEVEL BUDGET MANAGEMENT IN KAZAKHSTAN

### Abstract

The fourth-level budget is a vital instrument for rural development; however, Kazakhstan's current legal framework is insufficient for rural akims to perform their functions effectively. The absence of a specialized regulatory framework governing local self-government (LSG) budget management remains a significant institutional challenge. This article examines the regulatory and institutional sustainability of the fourth-level budget, focusing on the Turkestan Region. As the region with the highest number of rural settlements and the largest rural population share in Kazakhstan, it represents a strategically vital case for fiscal management research. The study aims to evaluate the effectiveness of the institutional mechanism using correlation analysis of executed budget data from 2019–2024. The findings reveal an “institutional dependency trap”: a near-perfect correlation coefficient between total revenues and received transfers ( $r = 0.99$ ) confirms that the management mechanism remains estimate-based and passive. In this model, rural akimats function merely as transit fund distributors. Conversely, a strong significant correlation between tax revenues and asset management ( $r = 0.89$ ) identifies a crucial hidden driver for fiscal autonomy and self-development. To modernize this mechanism, the authors propose: resolving “institutional dualism” by redefining the Akim as the “CEO of the local community,” accountable primarily to the Kenes (Local Council) rather than the executive vertical; implementing a “Retention Bonus” model, allowing districts to retain 100% of surplus tax revenues without a subsequent reduction in transfers; enhancing public participation via mandatory e-voting on the “Open Budgets” portal for projects exceeding specific value thresholds. The practical significance lies in transforming rural administrations into autonomous, robust institutions of local self-government.

**Keywords:** fourth-level budget, local self-government, fiscal autonomy, transfer dependency, local community, asset management, revenues, taxes.

### Introduction

The issues of non – centralization of state power and the creation of institutional foundations of local self-government are an important component of reforms in Kazakhstan. In his address the president of Kazakhstan proposed a number of measures that would allow him to implement his

strategic vision. As one of these initiatives, he stressed the need to continue the non-centralization of local self-government in the country, which stated that «without further deepening the process of non-centralization of power, it is impossible to successfully political modernization and development of civil society, it is necessary to continue the transfer of specific powers from the center to the regions. President Kassym-Jomart Tokayev announced an increase in the level of budgetary autonomy for the regions. A gradual “fiscal decentralization” is proposed, including the transfer of part of the revenues (taxes) to the regions. Local akims are also given the right to independently form local budgets, which will accelerate the resolution of local issues [1].

At the same time, it is obvious that there is a need to effectively distinguish between the activities of Public Administration and local self-government institutions. It is necessary to understand that the established effective system of local self-government (hereinafter referred to as LSG) is the basic basis for the direct participation of residents in improving the quality of life and social conditions in the locality where they live. Maslikhats should become the main link in LSG. Real strengthening of the LSG system with an independent budget opens up new opportunities for the development of Regions [2].

«A just state» by the head of state dated September 1, 2022. Blessed nation. United Society» noted the need to optimize the vertical of central departments and significantly expand the powers of local executive bodies. This will allow you to get closer to the regions and people in solving urgent problems. The head of state also noted the issue of ratification of the European Charter, which is an important comprehensive document defining the basic principles of functioning of LSG bodies.

In the future, to solve these issues, the country should focus on implementing and supporting reforms through increased transparency in legal frameworks, strengthening the rule of law and more inclusive mechanisms for public consultation. In this regard, we would like to discuss its institutional mechanisms as the basis of the fourth-level budget in Kazakhstan and the problems arising in terms of legislative support for the fourth-level budget.

A critical analysis of the current situation reveals that the reform of local self-government (LSG) in Kazakhstan is grappling with a phenomenon of ‘institutional dualism.’ Despite the transfer of tax revenues to the fourth-level budget, rural akims (mayors) remain embedded within a rigid vertical of state executive power. This creates an inherent conflict of interest: the akim, being accountable to superior leadership (the vertical), must simultaneously represent the interests of the local community (the horizontal). Without a clear legislative separation between the service functions of the state and the representative functions of LSG, ‘fiscal decentralization’ risks becoming merely a technical redistribution of funds that fails to improve the quality of civic engagement.

## Materials and methods

The main materials for the study on improving the institutional mechanism of the fourth-level budget management in Kazakhstan were the Constitution of the Republic of Kazakhstan, the law «on local public administration and self-government in the Republic of Kazakhstan», the Budget code of the Republic of Kazakhstan, the tax code of the Republic of Kazakhstan, the main provisions of the concepts for the development of local self-government in the Republic of Kazakhstan (2013–2020), (2021–2025), the works of Kazakhstani and foreign scientists on the issues of the budget of local self-government. This research work uses general and specific methods of scientific research, as well as formal-logical and dialectical methods. In the course of the study, individual provisions of institutional theory were selected as a basis. The use of a systemic approach in the study of the formation of the local government system allowed us to establish links with other elements of the financial and economic system at the state level.

The current state of legal and financial support for local self-government (LSG) is characterized by fragmented scientific research, which underscores the need for a comprehensive analysis of the institutional mechanisms of the fourth-level budget.

The academic discourse regarding the formation of independent budgets for local self-government (LSG) and their regulatory frameworks remains a specialized field with a relatively concentrated number of studies. This review categorizes the existing literature into four critical dimensions:

1. Constitutional Foundations and Legal Nature The theoretical grounding of LSG starts with the legal nature of local issues. E. Sultanov and I. Teplyakov [4] provide a fundamental analysis of

these issues, identifying them as the primary domain of LSG bodies and outlining their constitutional regulation. Similarly, V.Yu. Voitovich [5] argues that constitutional and legal guarantees are vital for ensuring financial autonomy. He posits that independence from the state apparatus is a catalyst for the accelerated development of civil society.

2. Regulatory Evolution and Institutional Accountability The dynamics of legislative change are central to identifying systemic flaws. O.A. Kozhevnikov [3] examines the imperfections of existing regulatory frameworks and suggests pathways for legislative evolution. Complementing this, N.V. Malyavkina [6] focuses on the mechanisms of responsibility, specifically analyzing how regulatory acts define the procedure for holding elected officials accountable to the local population. Yu.V. Agibalov [7] further bridges the gap between legal regulation and the practical experience of public participation in LSG implementation.

3. Fiscal Decentralization and Socio-Economic Impact International perspectives offer a broader view of the financial challenges facing local authorities. Ana-Maria Bercu et al. [8] analyze the legal and financial obstacles to sustainable local development on both national and international levels. On the fiscal side, Agnes Sipos [9] highlights the importance of “tax morality” and the distribution of personal income and transport taxes between state and local budgets. Furthermore, Rolf Aaberge et al. [12] provide a critical analysis of how intergovernmental transfers and in-kind services provided by local governments influence economic inequality.

4. Governance Effectiveness and Risk Management The effectiveness of LSG is often measured by its impact on the community. Ana Carcaba et al. [10] link effective municipal governance – specifically accountability and anti-corruption efforts – to the subjective well-being of citizens. Francisca Pacheco et al. [14] utilize parametric approaches to panel data to quantitatively assess LSG effectiveness. From a strategic perspective, Ornsaran Pomme Manuamorn et al. [11] explore political avenues for community-oriented projects, while Ian Edwards et al. [13] contribute a process-specific risk management framework to safeguard local governance practices.

Synthesis and Research Gap While the cited authors provide a robust framework for understanding fiscal autonomy [8, 9] and legal guarantees [4, 5], there remains a significant gap in addressing the “institutional dualism” found in transition economies like Kazakhstan. This study builds upon these foundations by applying a systemic-functional analysis to evaluate how the lack of full legal personality for LSG bodies creates transaction costs that hinder the effectiveness of the fourth-level budget.

In this study, the focus shifts from a formal legal description to a systemic-functional analysis. The authors employ the method of institutional design to assess how the norms of the Budget and Tax Codes correlate with the actual financial autonomy of rural districts. Particular attention is paid to the analysis of ‘transaction costs’ in the interaction between district and rural levels of government, which arise during the coordination of budget expenditures in the absence of full legal personality of local self-government bodies.

## Results and discussion

Without an adequate economic base, it is impossible to create local self-government indeed. The efficient solution to the most important priority issues in the villages directly depends on the financial and economic capabilities of the rural district. Therefore, the regulatory and legal regulation of the management of budgets of the fourth level, which forms the economic basis of LSG, is of particular importance.

The framework for the fourth-level budget in the Republic of Kazakhstan is the Constitution of the Republic of Kazakhstan, Law No. 148-II of January 23, 2001 «on local public administration and self-government in the Republic of Kazakhstan», 2009, 2013, 2014, 2015, 2017 Budget code of the Republic of Kazakhstan dated December 4, 2008, code of December 10, 2008 No. 99-IV «on taxes and other mandatory payments to the budget» (tax code), for the period 2013–2020, Representation for the development of local self-government in the Republic of Kazakhstan for 2021–2025 provisions.

Section 89 of the Constitution of the Republic of Kazakhstan stipulates that local self-government is carried out by the population directly, as well as through maslikhats and other local self-government bodies, where population groups live covering territories. According to the autonomy of LSG

bodies, the powers established by law are guaranteed. But still, the Constitution of the Republic of Kazakhstan, announces local self-government that they are the most essential element of civil society. Self-government is included in the system of organizing power, how local public administration and self-government bodies should interact, etc [15]. An analysis of the current legislation reveals a deficit in the tools of direct democracy. Although the law provides for community gatherings and meetings, these are often advisory in nature. The absence of local referendums and grassroots legislative initiatives within the legal framework limits the agency of citizens. Unlike European models, where participatory budgeting is a mandatory element, the involvement of the population in the formation of the fourth-level budget in Kazakhstan is limited to the procedure of approving pre-prepared proposals from the akim, which reduces the sense of ownership and involvement among residents regarding regional development.

The law of the Republic of Kazakhstan dated January 23, 2001 No. 148-II «According to the Constitution local public administration as well as self-government regulate public relations in local state and self-government, determines the competence, organization, procedure of activity of executive bodies, the legal status of Deputies of Maslikhats [16].

The development of the draft law ‘On Local Self-Government’ requires a transition from a ‘state-centric’ model to a ‘social’ or ‘mixed’ one. We believe that the establishment of Keneses (councils) as independent representative bodies at the village level will allow for the dismantling of the akimats’ monopoly over resource distribution. However, this gives rise to the risk of an institutional conflict between the local Kenes and the district Maslikhat. To mitigate this risk, it is essential to clearly define a specific list of ‘issues of local significance’ that cannot be revised by higher authorities, thereby ensuring real, rather than merely declarative, autonomy.

LSG is performed by members of the local community and through Maslikhats in the form of meetings of the local community.

Any direct forms of resolving LSG issues, except for gatherings and meetings of citizens, are not provided for by the current legislation. Then not all citizens will take part in them, but only their representatives. There are no such important institutions of democracy as a local referendum, and the new law and concept does not provide for its introduction.

Currently, the current law contains a number of unresolved issues that prevent its full functioning.

The first step is to clarify the status, functions and powers of LSG bodies. Then distinguish them from local government bodies [17].

Many issues of financial support for LSG have not yet been resolved in normative terms. To eliminate these shortcomings, the concept of LSG development has been adopted in the country.

The concept of the new LSG for 2021–2025, approved by another new decree of the president of Kazakhstan Kassym-Jomart Tokayev of August 18, 2021, was a logical continuation of the previous concept and is aimed at strengthening the involvement of Kazakhstanis in the issues of state management at the local level [18]. It outlines the main tasks of the government in the development of LSG.

Table 1 – Comparison of LSG concepts

	LSG concept for 2013–2020	LSG concept for 2021–2025
1	Further decentralization process of power as well as the creation of an effective LSG system	Further decentralization of power and the creation of an effective LSG system
2	Taking part of citizens in LSG	Involvement of citizens in LSG
3	Simplification of budget procedures	Simplification of budget procedures
4	The pilot project as a new structure of the executive body-LSG administration	The pilot project as a new structure of the executive body-LSG administration
Note: Compiled by the authors based on source [18, 19].		

The concept of LSG development until 2025 was adopted in order to form a new LSG model in accordance with the regional, economic and social needs of the regions and in accordance with the interests of the population. In this concept, the activities of LSG bodies in Kazakhstan are based on

the principles of citizen participation in budget management, transparency, accountability, economic, and financial independence, and differentiation of functions.

It is expected that LSG bodies will have the opportunity to gain independence and solve local issues on their own, and representatives of local executive authorities will have new powers and financial opportunities to more effectively perform the services assigned to them, and an attempt will be made to distinguish between the level of Public Administration and LSG.

To implement the provisions of the concept, the development of a new draft law «on LSG in the Republic of Kazakhstan» has begun. One of its innovations will be the emergence of councils, a new body of LSG bodies. The council is planned to consist of members elected by the population and its chairman. It is proposed that the authority to dissolve the council will be transferred to the local community assembly [19].

The new body will adopt regulatory legal acts in force in the relevant region. Its powers include approval of the Community Development Plan, the budget agreed with the meeting, control over its implementation, and approval.

The concept includes a mechanism to encourage local authorities to ensure high tax collection and increase tax culture.

The fourth-level LSG budget is one of the main mechanisms for implementing an effective economic and social policy for the state. Through it, budgetary resources are accumulated, subsequently allocated, and used to solve socio-economic problems in society.

Section 9-1 of the Budget code of the Republic of Kazakhstan states that: “the budget of a rural district is a centralized monetary fund formed at the expense of revenues, intended for financial support of the tasks and functions of the Akim of a rural district and state institutions subordinate to him in a certain administrative and regional unit, and for the implementation of state policy”.

Independent budgets of the rural district are approved by the decision of the district maslikhat after approval at a meeting of the local community.

As a result of changes and additions to the budget legislation of Kazakhstan, the organization of financial independence of LSG has been significantly defined and streamlined. As part of the ongoing reform of budget legislation, the structure of the budget system of the Republic of Kazakhstan has also changed [20].

The formation of the fourth-level budget directly contributes to the akims (mayors) of rural districts to develop their villages, to solve the most pressing local problems. But mainly members of local community meetings are involved in the process of discussing and monitoring the implementation of the budget, and the bulk of the population of the rural district practically does not participate in the budget process.

The Kazakhstan model of LSG intends to expand the powers of local representative bodies to form the wellness of the population in the local area, performing all relevant organizational political and legal functions. We can say that the Institute of LSG in the Republic of Kazakhstan is not yet sufficiently developed. The Institute of LSG is an integral part of state bodies and is subordinate to the highest links of state bodies. As LSG bodies, Maslikhats have limited autonomy and play the role of Representative authorities only in local areas.

In order to boost the efficiency of the LSG Institute, including the fourth-level budget management, it needs to expand the autonomy of rural Akims (Mayors) and LSG bodies. To this end, it is important to gradually expand the financial capabilities of rural akims (mayors). Currently, the independent budget of the rural district is formed at the expense of six types of taxes, and the missing amount comes from the district budget in the form of transfers. In addition to these six taxes, it is planned that the budget of rural districts will be expanded annually with new types of tax revenues, including the corporate income tax for small and medium-sized businesses from 2023.

An additional obstacle to the effectiveness of local public administration is insufficient accountability. At the local process, the processes of involving citizens in decision-making and democratization have not yet been completed.

At the present time, the powers of regional authorities are limited. Over and above that, central authorities have a significant impact on local political and economic processes. As a result, the country has an inflexible system that cannot quickly and efficiently meet demands of the local population. The lack of direct taxation in local areas also hinders the strengthening of reporting. The responsibility

of local governments is incomparable with their administrative, political and financial capabilities. At best decentralization of power allows responsible bodies to respond in a timely manner to events in local life and effectively fulfill their current duties (including Social Services, Environmental Protection and utilities).

Every year, rural mayors will have the opportunity to expand their taxable base and get more funding in order to develop their villages.

Effective use of budget funds can be achieved not only by fiscal measures but also by developing the quality of the budget process. Due to the centralized management of taxes, rural districts are demanded to transfer part of their money to higher budgets, due to the fact that they do not have the authority and authorized body to manage them independently. In practice, this creates additional problems in the planning and approval of local budget expenditure items, since they must be adopted through decisions of the district maslikhat [21].

An analysis of the financial base of the fourth-level budget reveals a high dependence on subventions (up to 80% in depressed regions). While the transfer of a portion of Corporate Income Tax (CIT) from small and medium-sized businesses is a positive step, it exacerbates interregional inequality: resource-rich rural districts will become wealthier, while agricultural regions remain financially vulnerable. It is necessary to implement ‘horizontal equalization’ mechanisms at the local self-government level to ensure equal access for citizens to social benefits, regardless of the tax potential of their place of residence.

The Turkestan Region has the highest number of rural settlements and the largest share of rural population in Kazakhstan, making the issue of the fourth-level budget critically important for this region.

Statistical and Correlational Analysis of Fourth-Level Budgets in the Turkestan Region: An Institutional Perspective. Table 2 presents the data on the revenues and expenditures of the executed budget for the period from 2019 to 2024.

Table 2 – Executed Budget Revenues and Expenditures 2019–2024 (in thousand KZT)

	2019	2020	2021	2022	2023	2024
I. ДОХОДЫ	29 926 718,3	36 492 494,5	33 001 020,5	14 005 405,4	15 909 002,1	17 669 118,1
Tax revenues	4 115 121,2	3 778 933,0	3 596 721,1	3 949 949,3	4 470 543,3	7 209 941,9
Non-tax revenues	216 247,4	39 878,5	73 458,5	90 866,8	35 147,4	51 875,0
Proceeds from the sale of fixed capital	1 827,7	33,0	1 004,9	3 584,6	576 776,0	902 608,3
Transfer receipts	25 593 522,0	32 673 650,0	29 329 836,0	9 961 004,7	10 826 535,4	9 504 693,0
II. Expenses	29 396 915,0	36 490 637,9	32 820 222,5	14 319 588,8	15 642 163,6	17 474 285,6
General public services	5 137 746,7	6 552 524,7	6 633 520,3	8 806 161,0	10 361 274,8	11 498 358,6
Education	20 583 521,4	23 771 380,1	17 098 836,4	0,0	0,0	0,0
Healthcare	133,0	86,0	311,0	203,0	133,0	130,0
Social assistance and social security	53 663,8	69 115,8	81 614,2	109 830,0	140 172,2	42 722,7
Housing and communal services	2 199 346,1	4 714 440,6	3 814 236,4	3 678 427,7	3 461 366,3	4 594 385,9
Culture, sports, tourism, and information space	98 022,4	99 035,6	52 651,9	87 887,5	102 584,5	89 161,9
Transport and communications	919 661,2	712 568,8	807 171,0	1 090 007,6	1 063 323,2	763 518,2
Other	292 555,4	548 614,4	1 580 247,2	15 372,0	24 832,4	8 163,4
Transfers	112 265,0	22 872,0	2 751 634,0	531 700,0	488 477,1	477 844,8
Note: Compiled by the authors based on source [22].						

The analysis of table 1 reveals a sharp turning point in the dynamics of revenues and expenditures in 2022:

1. Decline in overall volumes: Revenues decreased from 33 billion tenge in 2021 to 14 billion in 2022. This is explained by the institutional redistribution of functions (the transfer of education expenditures to the regional level), which is confirmed by zero expenditures under the «Education» category starting from 2021.

2. Growth of the tax base: Despite the overall reduction of the budget, tax revenues (Nalog) almost doubled by 2024 (7.2 billion tenge compared to 4.1 billion in 2019). This indicates a gradual increase in the financial autonomy of rural districts.

3. Dependence on transfers: Transfer receipts (Tr-p) remain the main source of revenue (more than 50% of total revenues in 2024), which is confirmed by their high correlation with total revenues.

The analysis of statistical data on the fourth-level budget for the period 2019–2024 allows for the identification of significant structural changes and their confirmation through correlation analysis.

Table 3 – Pearson Correlation Matrix

Correlation					
Probability	D01	N_NALOG	NALOG	OF	TR_P
D01	1.000000				
	-----				
N_NALOG	0.201205	1.000000			
	0.7023	-----			
NALOG	-0.468699	-0.216065	1.000000		
	0.3484	0.6809	-----		
OF	-0.578285	-0.431433	0.898012	1.000000	
	0.2293	0.3930	0.0151	-----	
TR_P	0.990525	0.220202	-0.585071	-0.674467	1.000000
	0.0001	0.6750	0.2225	0.1417	-----

Note: Created by the authors in the SPSS software.

For each pair of variables, two values are provided:

1. Correlation Coefficient: Indicates the strength and direction of the relationship (ranging from -1 to 1).

2. Probability (p-value): Determines statistical significance. A relationship is considered statistically significant if the p-value is less than 0.05 (at a 95% confidence level).

1. Deterministic Relationship: Total Revenues (D01) and Received Transfers (TR\_P)

◆ Coefficient: 0.990525

◆ Probability (p-value): 0.0001

This is the strongest and most statistically significant relationship in the matrix. The coefficient, being nearly 1, indicates a direct functional dependence.

The revenues of the fourth-level budgets are almost entirely determined by the inflow of transfers from higher-level budgets. This confirms the high financial dependency of local self-government in the Turkestan Region on centralized fiscal injections.

2. Significant Correlation: Tax Revenues (NALOG) and Sale of Fixed Capital (OF)

◆ Coefficient: 0.898012

◆ Probability (p-value): 0.0151

The p-value (< 0.05) confirms that this relationship is highly reliable.

The growth of tax revenues in the region is closely aligned with revenues from the sale of fixed assets (land and property). This suggests that local economic activity –specifically asset turnover and privatization – directly generates the tax base.

3. Negative Correlation (Trends): NALOG vs. D01 and TR\_P

- ◆ Coefficients:  $-0.468$  and  $-0.585$ , respectively.
- ◆ Probability (p-value):  $0.3484$  and  $0.2225$  (not statistically significant).

Although these p-values exceed the  $0.05$  threshold (meaning the link is not mathematically confirmed for this specific sample), the negative sign is noteworthy.

This may indirectly suggest an “equalization effect,” where an increase in local tax capacity might lead to a reduction in vertical transfers, or simply that tax growth is not keeping pace with the overall budget volume driven by transfers.

4. Non-Significant Variables: Non-Tax Revenues (N\_NALOG)

- ◆ The variable N\_NALOG shows no statistically significant correlation with any other metric (p-values ranging from  $0.67$  to  $0.70$ ).

Non-tax revenues (such as fines or administrative fees) are irregular or unstable in nature and do not follow the general trends of the tax base or total budget volume.

The correlation matrix mathematically substantiates the transfer-based nature of the LSG budget formation in the Turkestan Region. The near-perfect correlation between D01 and TR\_P ( $r = 0.99$ ) highlights a rigid administrative dependency. The only visible lever for “self-development” is the link between taxes and asset realization ( $r = 0.89$ ), emphasizing the importance of local asset management in strengthening the financial autonomy of rural akimats.

The relationship between revenues and expenditures can be considered almost deterministic, with a correlation coefficient of  $0.9996$ ; the scatter plot is presented in figure 1.

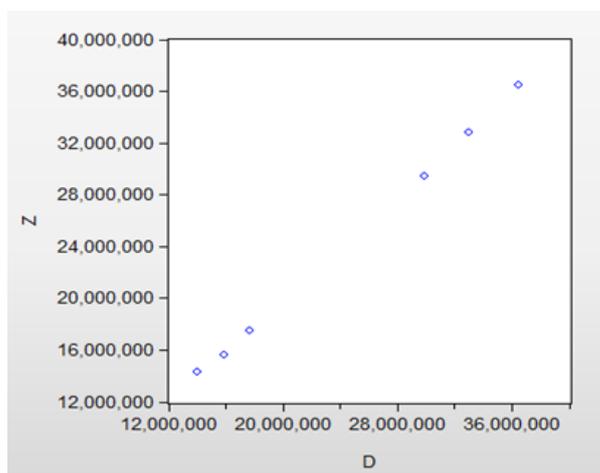


Figure 1 – Scatter plot of expenditures vs. revenues.

Note: Created by the authors in the SPSS software.

Based on the executed budget data of the Turkestan Region for the 2019–2024 period, a scatter plot was constructed to analyze the relationship between the variables ‘Revenues’ (D01) and ‘Expenditures’ (Z) (see figure 1). The graph demonstrates a near-perfect linear dependence. The correlation coefficient is extremely close to unity ( $r = 0.9996$ ,  $p < 0.05$ ), indicating a rigid balance within the local self-government (LSG) budgets. Institutionally, this deterministic relationship proves that the rural akimats (local administrations) of the Turkestan Region function primarily as transit managers of funds. In this model, the volume of expenditures is entirely predetermined by the approved volume of revenues-consisting predominantly of transfers-leaving no institutional room for the accumulation of local savings or the formation of a budget deficit.

Based on the obtained correlation links, the authors have drawn the following conclusions:

1. Institutional Dependency Trap: The correlations between  $D01 \rightarrow Z$  and  $TR\_P \rightarrow Z$  (both near 1) prove that the management mechanism of the fourth-level budget remains estimate-based rather than entrepreneurial. The rural akim acts primarily as a “distributor” of funds allocated from the district level, rather than an independent territorial manager.

2 Hidden Potential for Self-Development: the correlation between tax revenues and the sale of capital assets ( $r = 0.898$ ) is the only significant indicator that does not directly depend on transfers. This specific connection should be the target of strategic stimulation: granting the local community more rights over asset management ( $\$OF$ ) will lead to higher tax discipline and a broader tax base ( $\$NLOG$ ).

3 Necessity for Reform: To reduce the critical dependency on transfers, it is essential to implement mechanisms that “break” the linear relationship between  $\$TR\_P$  and  $\$Z$ . This would allow rural districts to retain surplus tax revenues for infrastructure development without a subsequent reduction in future transfers.

The success of local government is limited by the high level of centralization in the field of budget and financial management. In accordance with the budget code and other legislative acts, in matters of financial resources, LSG bodies expect the central authority, which is a system of transfers based on the famous types of taxes and subventions. The non-disconnection of the area of responsibility between the levels of local public administration and LSG leads to a distortion of the planning and execution system in rural districts. So far as an official body in the rural district does not exist, it is the main problem of the administrative and financial dependence of the Akim, which does not give authorization to local residents to concentrate on solving urgent matter.

## Conclusion

The results of this study allow for several conclusions that are of significant importance for improving the institutional mechanism of fourth-level budget management in Kazakhstan:

1. Confirmation of Transfer Dependency: A correlation analysis of data from 2019–2024 revealed a nearly deterministic relationship between the volume of transfers ( $\$TR\_P$ ) and total revenues ( $\$D01$ ,  $r = 0.9905$ ), as well as expenditures ( $\$Z$ ,  $r = 0.9917$ ). This mathematically proves that, despite formal decentralization, the financial stability of rural districts remains critically dependent on decisions made by higher-level authorities. The current mechanism operates on the principle of “utilizing allocated funds” rather than managing independent development.

2. The “Taxes–Assets” Economic Link: The high correlation found between tax revenues ( $\$NLOG$ ) and receipts from the sale of fixed capital ( $\$OF$ ,  $r = 0.898$ ) indicates that investment activity and business turnover in rural areas are the primary drivers of internal revenue. This supports the hypothesis that expanding the powers of local akims to manage local assets can multiplicatively increase the tax base.

3. Institutional Inertia: the sharp change in the expenditure structure in 2021 (the exclusion of education costs) made the fourth-level budget more specialized. However, the lack of significant correlation between tax revenues and housing and communal services expenditures ( $\$KZ$ ,  $r = 0.35$ ) suggests that the resolution of local infrastructure issues is still not linked to the efficiency of local tax collection.

Recommendations for Improving the Mechanism:

♦ Transition to «Incentive-Based Transfers»: Intergovernmental fiscal relations should be revised so that when local tax revenues ( $\$NLOG$ ) grow, the volume of subventions from the district level is not proportionally reduced in the following period. This would break the rigid correlational dependence on transfers and create a genuine incentive for the development of Small and Medium Enterprises (SMEs).

♦ Legal Personality and Autonomy: To reduce transaction costs and eliminate «institutional dualism», it is advisable to grant rural akim offices full status as local self-government entities with the right to own and manage communal assets.

♦ Digitalization and Participation: Implementing participatory budgeting tools will allow the identified “revenue-expenditure” link to transform from an administrative-directive model into a socially-oriented one, where expenditure priority is determined by community needs rather than top-down limits.

♦ The reform must redefine the Akim not as the lowest link of the state executive branch, but as the Chief Executive Officer of the local community, answerable primarily to the Kenes (Local Council).

♦ Mechanism Improvement: Propose a “Retention Bonus” model. If a rural district increases its tax base beyond the 3-year average, it should retain 100% of the surplus, exempt from “horizontal equalization” for a set period. This creates a genuine incentive for SME support.

♦ Integration of the fourth-level budget with the “Open Budgets” portal via mandatory e-voting for projects exceeding a specific value threshold (e.g., 5% of the local budget).

The implementation of these measures will transform the fourth-level budget from a technical tool for fund distribution into a real financial foundation for local self-government, contributing to the sustainable development of rural areas in Kazakhstan.

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## ҚАЗАҚСТАНДАҒЫ ТӨРТІНШІ ДЕҢГЕЙДЕГІ БЮДЖЕТТІ БАСҚАРУДЫҢ ИНСТИТУЦИОНАЛДЫҚ ТЕТІГІ

### Андатпа

Бюджеттің төртінші деңгейі ауылдық аумақтарды дамытудың маңызды құралы болып табылады, алайда Қазақстанның қазіргі құқықтық базасы ауыл әкімдерінің функцияларын тиімді орындау үшін жеткіліксіз. Жергілікті өзін-өзі басқару (ЖӨБ) бюджеттерін басқаруды реттейтін мамандандырылған нормативтік базаның болмауы өзекті институционалдық мәселе болып қалуда. Мақалада төртінші деңгейдегі бюджеттің нормативтік және институционалдық тұрақтылығы Түркістан облысының мысалында зерттеледі. Еліміздегі ауылдық елді мекендердің саны ең көп және ауыл халқының үлесі ең жоғары аймақ ретінде бұл өңір фискалдық басқаруды зерттеу үшін стратегиялық маңызды нысан болып табылады. Жұмыстың мақсаты – 2019–2024 жылдардағы бюджеттің атқарылу деректеріне корреляциялық талдау жасау арқылы институционалдық тетіктің тиімділігін бағалау. Зерттеу нәтижелері «тәуелділіктің институционалдық тұзағын» анықтады: жалпы кірістер мен түскен трансферттер арасындағы абсолюттік корреляция коэффициенті ( $Sr = 0,99\$$ ) басқару тетігінің әлі де болса сметалық және пассивті екенін дәлелдейді. Бұл модельде ауылдық әкімдіктер тек қаражатты транзиттік бөлуші ретінде ғана қызмет етеді. Керісінше, салықтық түсімдер мен активтерді басқару арасындағы тығыз байланыс ( $Sr = 0,89\$$ ) фискалдық автономия мен өзін-өзі дамытудың жасырын әлеуетін көрсетеді. Бұл тетікті жаңғырту үшін келесі шаралар ұсынылады: әкім мәртебесін атқарушы вертикальға ғана емес, Кеңеске есеп беретін «жергілікті қоғамдастықтың CEO-сы» ретінде қайта анықтау арқылы «институционалдық дуализмді» жою; округтерге алдағы трансферттерді азайтпай, жоспардан тыс салықтық түсімдердің 100%-ын өзінде

қалдыруға мүмкіндік беретін «Retention Bonus» моделін енгізу; инфрақұрылымдық жобалар бойынша «Ашық бюджеттер» порталында міндетті e-voting дауыс беру арқылы халықтың қатысуын арттыру. Практикалық маңыздылығы ауылдық әкімдіктерді қаражатты бөлушілерден жергілікті өзін-өзі басқарудың толыққанды әрі тұрақты институттарына трансформациялауда жатыр.

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## ИНСТИТУЦИОНАЛЬНЫЙ МЕХАНИЗМ УПРАВЛЕНИЯ БЮДЖЕТОМ ЧЕТВЕРТОГО УРОВНЯ В КАЗАХСТАНЕ

### Аннотация

Бюджет четвертого уровня является важнейшим инструментом развития сельских территорий, однако текущая правовая база Казахстана недостаточна для эффективного выполнения функций сельскими акимами. Отсутствие специализированной нормативной базы, регулирующей управление бюджетами местного самоуправления (МСУ), остается острой институциональной проблемой. В статье исследуется нормативная и институциональная устойчивость бюджета четвертого уровня на примере Туркестанской области. Обладая самым большим количеством сельских населенных пунктов и высокой долей сельского населения в стране, данный регион является стратегически важным объектом для исследования фискального управления. Целью работы является оценка эффективности институционального механизма с помощью корреляционного анализа данных исполненного бюджета за 2019–2024 гг. Результаты выявили «институциональную ловушку зависимости»: почти абсолютный коэффициент корреляции между общими доходами и поступившими трансфертами ( $\$r = 0,99\$$ ) подтверждает, что механизм управления остается сметным и пассивным. В такой модели сельские акиматы функционируют лишь как транзитные распорядители средств. Напротив, сильная значимая связь между налоговыми доходами и реализацией активов ( $\$r = 0,89\$$ ) указывает на скрытый потенциал фискальной автономии и саморазвития. Для модернизации этого механизма предложены следующие меры: преодоление «институционального дуализма» путем переопределения статуса акима как «СЕО местного сообщества», подотчетного Кенесу, а не только исполнительной вертикали; внедрение модели «Retention Bonus», позволяющей округам удерживать 100% сверхплановых налоговых доходов без последующего сокращения трансфертов; повышение вовлеченности населения через обязательное e-voting голосование на портале «Открытые бюджеты» по проектам развития инфраструктуры. Практическая значимость заключается в трансформации сельских акиматов из распределителей средств в полноценные и устойчивые институты местного самоуправления.

**Ключевые слова:** бюджет четвертого уровня, местное самоуправление, фискальная автономия, трансфертная зависимость, местное сообщество, управление активами, доходы, налоги.

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