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Table of contents

List of tables.....	ii
List of Abbreviations	iii
Abstract.....	iv
1. Introduction.....	1
1.1. Background of the study.....	1
1.2. Research Problem	3
1.3. Significance of Research	4
1.4. Novelty	4
1.5. Research Question	4
2. Literature review.....	6
2.1 Theory and empirics	6
2.2 Fiscal decentralization in Kazakhstan	13
3. Data and Methodology	16
3.1. Data collection.....	16
3.2. Methodology.....	16
4. Results.....	19
5. Conclusion	22
5.1. Limitations.....	24
References.....	25

List of tables

Table 1. Descriptive statistic.....	15
Table 2. Panel Data Analysis.....	17

List of Abbreviations

GRP	Gross regional product
OECD	Organisation for Economic Co-operation and Development
SME	Small-medium enterprise
GDP	Gross domestic product
EU	European Union
TNR	Total natural resource production
Pop	Population

Abstract

This article proposes a method for assessing the effects of fiscal decentralization on economic growth in Kazakhstan. The relationship between the proper level of fiscal decentralization and economic growth for 14 regions and three cities of republican significance in Kazakhstan from 2010 to 2020 was evaluated using panel data analysis. The results of this study suggest that fiscal decentralization has a negative and significant impact on gross regional product. The study found that both income and expenditure decentralization have a negative impact on economic growth, and that further fiscal decentralization currently has a negative impact on GRP growth. Given the premise that fiscal decentralization usually promotes local economic progress, this consistently significant and powerful result of our empirical analysis is surprising.

Keywords: fiscal decentralization, economic growth, Kazakhstan, expenditure decentralization, revenue decentralization

1. Introduction.

1.1 Background of the study

One of the most important ideas in public finance theory, fiscal decentralization is also a policy approach that is frequently applied in the process of reforming the public sector. In states with a federal government, fiscal decentralization refers to the practice of transferring revenue and expenditure responsibilities from the federal level to the regional and local levels. These responsibilities include the right to impose and collect taxes as well as independently determine the focus areas of expenditures. It is a much more comprehensive notion that depicts a vertical financial structure of the government sector (Oates, 1999). This structure includes the assignment of revenue and expenditures among the various levels of government as well as a structure of intergovernmental transfers. As a result, fiscal decentralization is an instrument of fiscal federalism and may be seen as a necessary condition.

At this stage in the nation's growth, more decentralization of authority appears to be required if there is to be any hope of enhancing the effectiveness of the nation's system of public administration. The issues around a more distinct division of responsibilities at all levels are quickly becoming a top priority.

The current system of public administration in Kazakhstan is characterized by a relatively high degree of power centralization, as well as the concentration of responsibility for planning and managing public resources at the highest echelons of the executive authorities. Additionally, the system is characterized by a relatively high level of bureaucratic corruption. This is the outcome of Kazakhstan, along with other post-Soviet governments, inheriting

from the old Soviet Union a centralized control structure that encompasses the state, economy, and society.

Obviously, once the country gained its freedom, in the consolidation of power into fewer hands became obligatory and fully warranted at a certain juncture in the evolution of the nation.

On the other hand, because of the state of the country's economy and the rapid expansion of public spending, it is essential to boost the efficiency of public organizations and, as a result, to carry out a process of progressive decentralization of authority. An excessive amount of centralization slows the growth of the representatives' initiative system of local administration, which in turn slows the growth of the country.

It is important to note that decentralization of control makes it possible to do the following: First, reduce the costs of numerous and sometimes slowly responding to changes in the central apparatus management, as well as improve the efficiency of management itself; secondly, increase social activity and include the public in the process of management.

In contrast, 'fiscal decentralization' can be detrimental under some conditions (Prudhomme,1995). A more than necessary amount of decentralization causes it extremely difficult to achieve macroeconomic stability and wealth redistribution. During the crisis time, macroeconomic stabilization becomes questionable because the government does not have sufficient funds to support the economy along with contractionary fiscal policy priorities of regional governments. The government does not have sufficient resources to stabilize the economy. The transfer of income is similarly ineffective under a system with complete decentralization. In most cases, the regions do not share resources equitably with one another (at least in large federal states). Because of this, the absence of a centralized equalization strategy might result in the

financial collapse of poor areas (Thiessen, 2003). An unhealthy amount of horizontal fiscal rivalry may result in higher inequality between areas as well as horizontal fiscal disproportion. In some countries, the quality of governance at the regional and local levels is questionable (due to corruption, weak institutions and competences of officials), and as a result, it is unclear whether or not subnational organizations are capable of achieving high levels of efficiency in public production. The failure of subnational governments to completely absorb cross-regional externalities is another issue with decentralization, and it casts doubt on the theoretical conclusions that can be drawn from previous research of fiscal federalism (Oates, 1972).

1.2 Research Problem

One of the most significant challenges facing Kazakhstan's national planning and management is the country's notoriously inefficient use of its money. At a time when many different areas are lacking funding, the Accounts Committee of the Republic of Kazakhstan produces a report every year detailing the billions of tenge that are not being used. The decentralization of state finances and the empowering of local government entities are two potential answers to this issue, both of which would be beneficial. It is the expectation of the Government of Kazakhstan that the most recent reform would result in an increase in local budget revenues and motivate local executive bodies to extend the tax base by providing an environment that is conducive to the operation of businesses. The CIT revenue generated by SMEs will be able to be retained by the regions, and these funds may be used toward the regions' highest priority costs. At the same time, the new reform, in the process of its implementation, may run across the following obstacles: the mechanical execution of the reform

by local authorities without comprehending its goals and objectives; a reluctance to support the growth of local SMEs; and corruption. The pandemic of the coronavirus poses a significant threat to the effective implementation of the reform. This epidemic has resulted in a catastrophic decline in tax revenues to the republican budget, and it may lead to the reform being scrapped while it is still in its early stages of implementation. In this regard, the importance of conducting an examination of the reform's effects in a timely manner.

1.3 Significance of Research

This study aims to evaluate the preliminary results of recent reforms in Kazakhstan and empirically confirm the influence that fiscal decentralization has on economic growth in the instance of Kazakhstan. The objective of this study is to assess the preliminary outcomes of recent reforms in Kazakhstan. This work will expand our understanding of how decentralization impacts economic performance in Kazakhstan and the region in which it is located, as well as supplement empirical research that has been done on fiscal concerns.

1.4 Novelty

The significance of this study lies in the fact that it establishes a link, following a number of economic changes, between fiscal decentralization and increased economic development in Kazakhstan, and suggests a proper measurement. The findings of this study are also significant in terms of the policy implications they have, as they contribute to the formation of a more effective tax structure between the central government and regions, improve budget allocation at the local level, and call into question or support the need for

additional fiscal decentralization reforms. The findings of this study may be extrapolated to the entirety of the Central Asian (CA) area due to the striking number of parallels that exist between Kazakhstan and the other nations in the region.

1.5 Research Question

- What is the impact of fiscal decentralization to economic growth in Kazakhstan?

2. Literature Review

2.1 Theory and empirics

The traditional idea of fiscal decentralization does not consider the connection between fiscal decentralization and the expansion of the economy in any direct way. However, research in this subject became increasingly pertinent with the initiation of large-scale decentralization changes in socialist governments. These reforms took place in the late 1980s and early 1990s (Russia, former republics of the Soviet Union, Eastern Europe, and China). The proponents of these changes need a link that could be experimentally and conceptually substantiated between the level of decentralization and government's economic growth. Growth in the economy is the quantitative indication of economic progress that can be evaluated with the least amount of effort, yet it's also the most important one. Economists have analyzed and adapted a number of different economic growth models in their quest to find a justification for decentralization. They have used these models to seek for a potential relationship between decentralization and growth, and then they have employed a variety of different econometric methodologies to experimentally validate that this link exists.

Popular models of economic growth (“Solow model, Barro's endogenous growth model, and Diamond's overlapping generations model”) have been updated by researchers in order to add a potential link between fiscal decentralization and economic growth (Thiessen, 2003). The model that was established by Davoodi and Zou (1998), which is an adapted version of Barro's model, is the most prevalent analytical framework that ties expenditure decentralization to economic growth (Barro, 1990). Both private and governmental expenditures are necessary inputs in the Cobb-Douglas production function. These inputs come from all levels of government: federal,

state, and local. Taxes levied on products are the primary source of revenue for the government. Following is a solution that may be obtained by maximizing the advantage of a representative agent while taking into account a dynamic budget constraint: The pace of production growth is dependent on a number of factors, one of which is the proportion of total public expenditure that is allocated to each level of government. It is also conceivable, using the model, to determine the proportions of public spending that will maximize economic development. According to the findings of Davoodi and Zou (1998), decentralization can be beneficial to economic growth in situations where there is an excessive amount of centralization of public expenditure.

The enhanced Solow model that was developed by Mankiw and his colleagues in 1992 serves as the foundation for econometric research on the connection between decentralization and economic development (Thiessen, 2003;). The initial value of production, the accumulation of both physical and human capital, and the expansion of the labor force are the traditional drivers of economic growth that are developed from the Solow model. However, in the empirical specification, Thiessen (2003) includes extra decentralization measures as well as other conditioning factors as independent variables. In addition to the traditional factors of economic development that are derived from the Solow model, this is also a significant factor.

Diamond's model is utilized by Brueckner (2006) in order to theoretically demonstrate the benefits of decentralization. Younger generations and older generations coexist on the Diamond-Brückner planet at time t , the hypothetical location (each representative lives through two periods, being young in the first and old in the second). Young people have the opportunity to increase their future income by investing some of their time in school while continuing to work during the remaining portion of their waking hours. In addition, younger

generations have the opportunity to set aside a portion of their salary and use that money toward the purchase of tangible capital. People in their later years spend each and every waking moment to their employment. Each generation's consumption bundle consists of two different types of goods: private and public. Because of the greater amount of discretionary cash available to them, members of the older generation are able to spend more (due to their better level of human capital and the fact that they do not waste their time on schooling). This results in the older generation having a stronger demand for the public good. After that, Brueckner contrasts two different forms of government: centralized and decentralized (federalism) (unitary). It is generally accepted that federalism necessitates the existence of a perfect Tiebout-sorting mechanism, which enables individuals to self-sort into two demand-homogeneous jurisdictions that have varying degrees of public benefit supply (higher for old than for young). All persons are given access to the same standard of the general public benefit in accordance with the unitary system. The author's argument is that in every federalist equilibrium, the amount of time spent on education and levels of physical capital are greater than in any unitary equilibrium. This is the case regardless of whatever equilibrium is being considered. The pace of increase in human capital has a direct bearing on the rate of increase in economic growth, which is higher under decentralization. This model is quite abstract and cannot be put into effect in the actual world. It provides light on the ways in which federalism (in the form of decentralized provision of public goods) may have a favorable impact on the growth of the economy.

Baskaran et al. (2014) provide a concise summary of the prior study on the theoretical relationship between fiscal decentralization of government and its economic growth. They identify four potential channels of this relationship, which are as follows: heterogeneity of preferences, market preservation,

structural change, and political innovation. The Diamond-Brueckner model includes a representation of preference heterogeneity in its structure (Brueckner, 2006). The preservation of the market necessitates a rise in horizontal fiscal rivalry, which, in turn, reduces the negative motives of subnational authorities, enhances the environment for market growth. Finally, quickens the pace of economic expansion. During times of structural crisis, shifts in the structure of the organization are linked to the potentially advantageous consequences that decentralization could have. It is simpler to undertake structural change in a decentralized system because authorities who are risk cautious may have a larger stake in delivering excessive financial help to inefficient companies in a centralized system. This is because structural reforms are impossible to implement in a system that is centralized (Besley and Coate, 2003). Innovation in politics necessitates fiscal decentralization, which in turn makes the conditions necessary for employing regions as test beds for hypotheses (Oates, 1999). If a new government policy is shown to be effective in one location, there is a good chance that it will be implemented in other regions as well, which will result in the creation of further prospects for economic expansion.

As a result, it would appear that a theoretical connection between government's fiscal decentralization and economic development has been demonstrated and may be supported. Does credible empirical data support the existence of such a connection?

Numerous research has been conducted on the subject of the connection of fiscal decentralization and state's economic growth, both from a global and a regional point of view. The findings of these studies have produced extremely conflicting findings. Others demonstrate that fiscal decentralization and economic growth are either negatively correlated (Baskaran and Feld, 2013;) or not correlated at all. Although the findings of some researchers point in a

positive relationship between the two (Akai and Sakata, 2002; Thiessen, 2003). Researchers in contemporary studies frequently make reference to the multidimensionality of the decentralized character of the system. They come to the conclusion that revenue decentralization is favorably associated to long-run growth prospects, in contrast to the finding that decentralization of expenditures has a negative impact on growth. This dichotomy can be explained by the fact that decentralization of revenue is positively related to economic growth prospects (in cases when expenditures are more decentralized than revenues). In other words, it has been demonstrated that the convergence hypothesis is accurate: reaching a balance for both expenditures and revenues at regional and local levels is positively linked to economic growth and provides positive benefits for subnational authorities to maintain market institutions (Gemmel et al., 2013;).

Chinese provinces and American states are obviously the most commonly used cases in regional studies. This is because both states offer sufficient samples (50 American states and 28 Chinese provinces). There is a significant amount of variation in the economic and fiscal performance of a number of different locations, and the availability of trustworthy statistical data over an extensive amount of time. In addition, the most commonly used cases in regional studies come from China and the United States. Despite this, there isn't much agreement about the nature of this relationship's course or its relevance.

According to the findings of some research groups, regional economic growth in China is negatively correlated with expenditure decentralization (Zhang and Zou, 1998) . This correlation resulted positively with the transition to the new system of revenue assignment among different levels of government in 1987. This new system increased the autonomy of provinces with respect to their independently collected revenues. This was achieved by giving provinces a

greater degree of control over the funds autonomously collected inside their borders(Lin and Liu, 2000). Both of the papers that were mentioned earlier make use of panel data analysis over a period of time that is comparable (1970s–early 1990s). This analysis enables a general conclusion to be drawn regarding a positive relationship of the convergence of revenues and expenditures of Chinese provinces as well as their economic growth. Other studies have shown the converse to be true: under both the fiscal contract system (1979–1993) and the revenue assignment system (1994–1999), the convergence of subnational revenues and expenditures has a negative correlation with economic growth prospects (Jin and Zou, 2005).

When scholars investigate the connection between fiscal decentralization and economic development in the United States, they come up with conclusions that are contradictory to one another. For example, some people use the Davoodi-Zou model and analyze data from 'long' time series. Finally, they come to the conclusion that there is not a strong connection between expenditure decentralization and growth (Xie et al., 1999). Other scholars have demonstrated, through the use of panel data analysis carried out over very "short" time periods, that there is a strong link between decentralization of both expenditures and revenues and the rate at which a state's economy grows. They have also confirmed that there is a negative correlation between the degree of fiscal decentralization and economic growth in 1992–1997. These findings were published in Akai and Sakata (2002). (Akai et al., 2009).

An examination of Spain's experience with decentralization between the years 1985 and 2004 finds a robustly positive correlation between the decentralization of revenue and economic development, but there is no connection between the decentralization of expenditures and growth (Cantarero

and Perez Gonzalez, 2009). The authors make use of a number of different robustness checks in order to validate their findings. These checks include the instrumental variables technique and the dynamic panel data model. The instrumental variables technique is used to control for the probability of endogeneity between decentralization measures and economic growth, and the dynamic panel data model is used to control for the inclusion of the lagged dependent variable in the set of regressors. Both of these methods were utilized in order to account for the possible endogeneity. The primary findings of the study have been validated by each of these tests.

As a conclusion to the study of the empirical literature, it is important to point out that the relationship between decentralization and economic growth (the significance of this relationship) has been shown to produce contradictory results. The results in studies comparing economies in different countries and regions and is dependent on the following factors:

- cross-sectional and temporal structure of the data. This includes the number of nations or regions that were evaluated, the time horizon, and the presence of structural shocks and crises throughout the time period that was taken into consideration;

- methods of empirical analysis including cross-section analysis, instrumental variables technique; panel analysis; choice of fiscal decentralization measures (revenue and expenditure decentralization, fiscal autonomy variables, integral indices of decentralization);

The two most important things that need to be learned from the numerous empirical studies that were discussed earlier are that the multidimensional nature of decentralization should be considered. the second thing is significant determinants of economic growth should generally be included in the econometric model in order to avoid the omitted variable bias. Both of these

lessons can be learned from the numerous empirical studies that were mentioned above. The various empirical studies that were outlined before can be used to glean both of these important pieces of information.

2.2. Fiscal decentralization in the Kazakhstan

The financial arrangement of independent Kazakhstan was initially set by the statute titled "On the budget system," which was passed in 1991 for the first time. This Law was founded on a variety of forward-thinking concepts, including the allocation of monetary authority between the central government and the several regions. This law specified the connection between the republican budget and the budgets of local authorities, as well as the key concepts that go into the formulation of budgets for the Republic of Kazakhstan. The independence of both the republican budget and local budgets was a fundamental premise behind this law. Budgets at the regional, city, district, district in city, settlement, rural, and aul levels are included in the term "local budgets." Then there came the Law that was passed in 1999 that was titled "On the Budget System." This law establishes the principles of unity, completeness, reality, transparency, and independence of budgets, as well as concepts such as "republican budget program" and "local budget program," as well as "administrator of republican, administrator of local budget programs," and so on and so forth. The legislation specifies the distribution of costs in a manner that is distinct for both the republican budget and the municipal budget. The republican budget plans will not be impacted in any way by the introduction of local budget programs by local executive bodies who have been granted the power to do so.

According to our analysis, the procedure of decentralization in the Republic of Kazakhstan may be broken down into the following four stages:

The first stage, which lasted from 1996 to 2004, is the point at which we are able to talk about the commencement of the decentralization movement in Kazakhstan. The legislation "On the budget system" was signed for the first time on December 17, 1991, and it was this law that established the framework of Kazakhstan's budget. Its primary purpose was to grant autonomy to components of the budget system, specifically the republican and municipal budgets. Then the law titled "On Local Public Administration in the Republic of Kazakhstan" was passed on January 23, 2001.

At this stage (Stage 2), which spans the years 2004 to 2006, there is a transfer of tasks done by the central office down to the level of the regions and districts, together with an evaluation of the financial situation at that level. The law titled "On Amendments and Additions in Certain Legislative Acts of the Republic of Kazakhstan on the Issues of Delimitation of Powers Between the Levels of Public Administration and Budgetary Relations" was passed into law in the Republic of Kazakhstan in the year 2004.

Decentralization at the level of regions, districts, and villages is the focus of the third stage, which runs from 2006 to 2013 and aims to set the ground for the further growth of this level of management on an autonomous basis. Stage 3 runs from 2006 to 2013. To begin, this necessitates the construction of a framework for the formation of governing bodies at the district level. Specifically, this will be done in order to: The "On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on the Issues of Delimitation of Powers Between the Levels of Government" Law of the Republic of Kazakhstan was passed in the year 2006 and came into effect.

Stage 4 can be considered the beginning of amendments made to the legislation on development of local self-government and on issues of delimitation of powers between government bodies. These amendments include

further measures to delineate responsibilities and powers between the center and regions, as well as strengthening local executive bodies. Stage 4 has been in effect since 2013. Stage 4 can be considered the beginning of amendments made to the legislation.

3. Data and Methodology

3.1 Data collection

In order to accomplish the goals of the empirical study, a dataset covering the years 2010-2020 and covering 14 areas and three cities (NurSultan, Almaty and Shymkent) republican significance was compiled. The sample changes depending on the specification, given that in 2017 the South Kazakhstan area became known as the Turkistan region and the city of Shymkent was given republican importance. Data was gathered from the official websites of the Ministry of Finance of the Republic of Kazakhstan and the National Bureau of Statistics. The primary objective of the empirical study is to determine the nature and strength of the relationships between fiscal decentralization and regional economic growth and to get appropriate measure of this relationship needed variables were collected in this data.

3.2 Methodology

The empirical investigation that is going to follow is largely predicated on the Davoodi-Zou analytical paradigm (Davoodi, Zou, 1998). Nevertheless, there have been significant adjustments made to the structure. The following is the standard form of the equation for regression:

$$GRP_GR(i,t) = \beta_0 + \beta_1 DEC(i,t) + \beta_2 CONTR(i,t) + \varepsilon$$

where, the rate of the gross regional product (GRP) per capita (GRP_GR) is the dependent variable that serves as a measurement of the growth of the regional economy (in region i , in year t). The independent variables that are used to define the level of decentralization are of two different sorts and are based on the multidimensional nature of decentralization. The first one is called the

revenue decentralization index (RDI), and it refers to the proportion of the consolidated regional budget's total revenues that are composed of municipal revenues that are generated locally and do not include any transfers. The second indicator is called the expenditure decentralization index (EDI), and it measures the proportion of consolidated municipal expenditures to the total expenditures of the consolidated regional budget. This proportion does not include "backward" intergovernmental transfers to higher levels of government.

The bulk of regional studies utilize measurements of fiscal decentralization that are comparable to one another (Akai and Sakata, 2002; ; Cantarero and Perez Gonzalez, 2009). Rodden (2004) and Stegarescu (2004) present yet another method of gauging decentralization that is far more advanced. Not only the portion of income and expenditures in the consolidated subnational budget are taken into consideration in this study but also other factors. In addition to this, they took into consideration the genuine authority that regions and municipalities have to levy new taxes, modify tax rates, tax bases, and federal tax deductions, as well as define their own spending priorities. This measurement, however, is not going to lead to the creation of a variable that has sufficient interregional variation in the degree of decentralization, so it cannot be used successfully in this paper. It is designed primarily for comparisons between different countries, and it is not going to lead to those comparisons. The reason for this is that under the current system of fiscal federalism in Kazakhstan, regions and municipalities have an extremely restricted amount of authority over revenues and expenditures, and they are unable to impose new taxes or change the tax base. On the other hand, the federal government typically dictates spending priorities.

The share of total trade (exports and imports) on GRP (OPENNESS to international trade), expressed in percentage terms, is one of the independent

variables. This variable was included in order to account for the effects of capital and human mobility, technological diffusion, and greater competition, all of which are likely to be prevalent in economies that are more open to international trade. The additional independent variables include the share of investments in GRP (INV_SH), the regional share of total natural resource production (PRO_SH), regional population growth (POP_G), and the unemployment rate (UN_EMP). All of these variables have the potential to have an effect on the distribution of income, which is why they are included as controls in the test of the conditional convergence hypothesis. Table 1 presents basic descriptive statistics for all variables.

Table 1. Descriptive Statistics

Variable	Observations	Mean	SD	Min	Max
GRP_GR	146	2.611743	2.268841	0.4315182	14.71668
RDI	146	0.2677294	0.8885472	0.0141844	5.935632
EDI	146	0.2539461	0.8433555	0.0130602	5.581759
OPENNESS	146	56.230874	8.346982	13.429	69.953
INV_SH	146	19.41975	7.228248	8.5	47.2
PRO_SH	146	2.871.978	3.635882	7.888.134	600.756
POP_G	146	1.00756	0.0578984	0.405	1.261567
UN_EMP	146	6.052375	0.734074	3.803442	7.023545

4. Results

The expenditure decentralization index, often known as EDI, has been shown to have a negative and substantial (at 5 percent) relationship with regional economic growth. In the regressions, the remaining decentralization measures were found to be negligible. (Table 2)

These findings suggest that the expenditures of the government in Kazakhstan's regions are overly decentralized, which leads to a negative link between expenditure decentralization and the growth of regional economies. The fact that the bulk of the independent variables have the predicted signs provides more evidence that the model is adequate. According to the findings of earlier research, a positive and strong correlation exists between the ratio of openness to trade and the proportion of investments in gross regional product (GRP) that lead to increased economic growth (Barro, 2003; Levine and Renelt, 1992). The positive and substantial coefficient for the PRO_SH variable indicates that the regions that utilize natural resources performed better after the crisis and developed faster. This was most likely due to the good conditions in the energy market.

Table 2. Panel Data Analysis

Dependent variable—GRP growth per capita		
	RDI	EDI
DEC_VAR	-0.0422	-0.0559*
	(-1.00)	(-2.13)
POP_GR	-0.0031	-0.0038
	(-0.91)	(-1.07)
INV_SH	0.0858*	0.0082*
	(2.42)	(2.30)
UN_EMP	-0.38224	-0.3900
	(-2.10)	(-2.20)

PRO_SH	0.5641*	0.5226**
	(3.20)	(2.64)
OPENNESS	-0.0194	-0.0192
	(-1.51)	(-1.50)
Constant	1.2734**	1.2760**
	(4.02)	(4.13)
Time effects	Yes	Yes
Observations		146
R2	0.6149	0.6156

Notes: Only full specifications are shown in the table. The *t*-statistics are given in parentheses; standard errors are cluster-robust. Levels of significance: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Levels of significance: * $p < 0.05$, ** $p < 0.01$

According to the findings, we are able to draw the conclusion that Kazakhstan's system of general fiscal decentralization has a negative effect on GRP. This is because the central government is superior to the regional governments in terms of its ability to collect revenue and its spending efficiency. In addition, it is possible that the lack of development of administrative decentralization is the reason for the negative impact of fiscal decentralization on economic growth and corruption in Kazakhstan, which in turn has a negative influence on the revenues collected from the various regions. One way to look at corruption is as the outward expression of other problems, such as excessive favoritism, job reservations, and suspiciously strong links between business and politicians. This, in turn, has a negative impact on the development of the overall system of decentralization at the regional level, which in turn leads to a decline in the amount of foreign investment in the budget for the regional level.

The fact that inter budgetary transfers account for an average of 55 percent of regional budget receipts in Kazakhstan is indicative of the fact that the local budget is insufficient to support regional expenditure objectives. The great majority of programs run by local governments are required to be repaid through various types of transfers. Because of this, local authorities are not given adequate incentives to spend budget dollars in an efficient manner. One of the reasons why there is a negative correlation between fiscal decentralization and economic development is because this is one of the causes.

5. Conclusion

In emerging nations, improvements to fiscal decentralization are now being implemented. As a result, the discussion and argument around the connection between fiscal decentralization and economic development has become increasingly prevalent. In principle, fiscal decentralization allows an area to deliver effective public services and also contributes to the development of the region, which ultimately leads to economic growth in that region. However, based on the assessment of the relevant literature, we get a hazy image of the link between them. This is because some researchers found a positive association between them, while others found a negative relationship. In order to evaluate the effect that fiscal decentralization will have on GRP growth in Kazakhstan over the course of the year 2010-2020, this study will employ panel data from 14 regions and 3 cities. According to the findings of the study, a negative and statistically significant link exists in Kazakhstan between fiscal decentralization and gross regional product. It has been determined, to put it in the simplest terms possible, that the central government is more effective than the local government in terms of collecting and spending money. The result of this study is somewhat understandable given the current stage of economic growth in Kazakhstan, when the central government is constantly constrained due to limited resources for public investment in national priorities such as highways, railways, power plants, and power plants, as well as telecommunications and energy. In other words, the result of this study makes sense. The construction of nationally significant pieces of infrastructure can have a more profound effect on the economic growth of an area than other types of construction projects. owing to the fact that decentralizing expenditures has a detrimental effect on the rate of economic expansion in the region.

The current system of interbudgetary relations is characterized by a lack of stability over the medium term, clear and understandable principles of distribution of income, expenses, and intergovernmental transfers between levels of budgets, and a lack of clear and understandable principles of distribution of income, expenses, and intergovernmental transfers. Due to the significant differences in the economic development of the territories, the uneven distribution of the income base across the regions, which is caused by these differences, predetermines the need to pursue an active leveling policy budgetary security of the regions in order to achieve equal accessibility of services to the population in the public sector.

Therefore, on the basis of the study results and problem outlined above, in the coming medium-term period, measures to further improve the public administration system in the country should be aimed at optimizing state functions and their effective distribution between all levels of government that are controlled by the state.

Obviously, once the country gained its freedom, in the consolidation of power into fewer hands became obligatory and fully warranted at a certain juncture in the evolution of the nation.

On the other hand, because of the state of the country's economy and the rapid expansion of public spending, it is essential to boost the efficiency of public organizations and, as a result, to carry out a process of progressive decentralization of authority. An excessive amount of centralization slows the growth of the representatives' initiative system of local administration, which in turn slows the growth of the country as a whole.

It is important to note that decentralization of control makes it possible to do the following: First, reduce the costs of numerous and sometimes slowly responding to changes in the central apparatus management, as well as improve the

efficiency of management itself; secondly, increase social activity and include the general public in the process of management.

5.1 Limitations

There is a possibility that this study has some potential shortcomings. We were unable to collect sufficient variables, including those proposed by the OECD, because certain data were not available, which was a limitation of the study that was associated with determining the level of fiscal decentralization in the country. This limitation was associated with the fact that there was a limitation associated with determining the level of fiscal decentralization in the country. We were unable to find certain indicators, such as tax decentralization, administrative decentralization, and the level of openness of the region, which reflect the volumes of imports and exports. Additionally, the years 2010-2020 were studied, which have an insufficient sample size in comparison to other studies. In turn, the restrictions that were described earlier have an influence on the conclusion, which prevents the accurate identification and determination of the impact that fiscal decentralization has on economic growth in all dimensions.

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