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## **ON THE ISSUE OF DISTRIBUTION OF THE LOCAL BUDGET OF KAZASSR IN THE 1930S**

The article highlights the issues of budget allocation to local authorities, also in sectors of the economy in the 30s of the twentieth century. The article reflects the issues of activity and decision-making on the issue of allocation of funds, the difficulties associated with the budgeting of local social organizations that were in dire need of financial infusion. The process takes place at a critical moment of social order in the life of the Kazakh nomadic society. The article analyzes the forms of budget policy and budget distribution management, made decisions of the SPC KazASSR together with the PCF and interaction with other government agencies. The research is based on documents and materials of archival funds, other materials are also involved.

**Key words:** Local budget, history of financial institutions, financial structures, financial provision, history of institution, People's Commissariat of finance.

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### **1930-шы жылдары ҚазАССР жергілікті бюджетін үйлестіру мәселелері**

Жаңадан құрылған Қазақ кеңестік қаржы жүйесінің жергілікті бюджетті қалыптастырып, оны жергілікті мекемелерде үйлестіру маңызды болды. Мақалада қаржы мекемелерінің жергілікті мекемелерді және халық шаруашылығы салаларын қаржыландыру, сол тарихи кезеңнің түйінді және күрделі мәселесін шешу аса күрделі жағдайда жүргізілді. Кеңестік орталықтың республикаға жүргізген қаржылық саясатының тұстары, осыған сәйкес, жергілікті бюджетті үйлестіруде қалыптасқан жағдайлар, атқарылған іс-шаралар қарастырылады. Зерттеу архив қорларының құжаттары және басқа материалдар негізінде жүргізілді.

**Түйін сөздер:** жергілікті бюджет, қаржы мекемелерінің тарихы, қаржы құрылымдық бөлімі, қаржымен қамту, мекемелер тарихы, халықтық қаржы комиссарлығы.

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### **К вопросу о распределении местного бюджета КазАССР в 1930-ые гг.**

Статья освещает вопросы распределения бюджета местным органам в отраслях народного хозяйства в 30-е годы XX века. Рассмотрены вопросы деятельности и принятия решений на местах по вопросу распределения средств, трудности, связанные с бюджетированием местных социальных организаций, которые остро нуждались в финансовом вливании. Процесс происходит в условиях переломного момента общественного устройства в жизни казахского кочевого

общества. Анализируются формы ведения бюджетной политики, принятые решения НКФ и взаимодействие с другими госорганами. Исследование основано на документах и материалах архивного фондов, привлечены другие материалы.

**Ключевые слова:** местный бюджет, история финансовых учреждений, финансовые структуры, финансовое обеспечение, история учреждении, Народный комиссариат финансов.

## Introduction

In the new system of social structure of the Kazakh society in the 30s of the XX century based in a social state form, a special role is given to the activities of financial structures designed to form and distribute monetary funds that are fundamental and provide activities of local authorities and social structures, also fundamentally important in the special period of formation and development of the Republic. The purpose of the study is to consider the allocation of budget funds of the Republic in the 30s of XX century on the basis of the analysis of the documents of the Fund of the PCF, and related processes. The task is to reveal the role of the activities of financial structures for creation, conduction budgeting sectors of people's economy and social structures which took place in difficult conditions of the 30s, associated with the the interweaving of interests and different approaches as the center and local authorities responsible for the financial policy, difficulties in the issue of budget allocation. The methodological basis of this work was the analysis of documents deposited in the

archival funds and other sources, some of which were not introduced into scientific circulation. The theme is considered in conjunction with the soviet kazakh researchers' works who have studied and scientifically substantiated separate provisions of the period of new state system formation in the 20 – 30-ies of the XX century. The fundamental methods in the disclosure of the content of the work were historicism, analysis, systematization and objectivity in the presentation of the studied sources and materials.

## Discussion

Construction and execution of the budget of the Kazakh ASSR in 1932 proceeded in extremely adverse conditions. In 1932 people's economy of Kazakhstan experienced difficulties caused by revision approved budgets of the PCF and weakened state support from the center in terms of budget financing, deepening the gap between the increased needs of the economy and the degree of their actual financing. This can be observed in the contents of the following table, distributed by years.

**Table 1** – Budget allocation PCF of KazASSR in 1930-1934 years by fields (CSA RK. F.229, In.1, c. 877)

Total budget	1931	1932	1933	1934
	155935	18550,0	20,2803,2	294652,
Agriculture	13406,0	14915,5	13764,2	19152,4
Social cultural enlightenment	47742,5	71432,8	7999,6	128299,4
Communal service	12358,0	5960,0	1423,5	116611,0
Healthcare	1220002,4	18966,7	22147,2	31146,6
Industry	5775,0	6892,5	8156,0	10975,0
Administration	11983,4	195291	201477,2	20779,0

In this table you can see the gap in budget execution for these years. Especially the comparative gap can be seen in the socio – cultural activities in relation to other fields.

Insufficient budget growth of 1931 exacerbated extremely significant backlog of Kazakhstan in the field of budget not only from other budget indicators

of the RSFSR, but almost all ASSR within this period in the RSFSR. Accordingly, the insufficient budget growth did not allow the government of Kazakhstan to implement the first five-year plan in terms of cultural and economic construction at the expense of the local budget, which was adopted by the Government of the Union in relation to

Kazakhstan. So, investments on the local budget, according to the five-year plan for 1931, provided by the resolution of SPC of the USSR on September 1, 1930 were defined in 153 million rubles, and for 1932, under 299 million rubles.

At the same time, the volume of the budget in Kazakhstan for 1931 amounted to only 125 million rubles by check digits of PCF of RSFSR, it means a large gap instead of the initially adopted budget (CSA RK. F.30, In.2, c.1508).

Control digits of 1931 in the financing project of PCF of RSFSR did not provide such directions as global primary education and real execution of the budget as a whole in 1931.

Thus, the implementation of the budget in 1931 was tense in its revenue part. The focus was on quantitative rather than qualitative indicators. Especially, this situation has affected the containment of the school network development. Undoubtedly, this played a role in reducing the volume of budget distribution and, accordingly, led to the closure of the existing social institutions (schools, health care institutions) at that time, which were created, as noted in separate notes, «...with a favorable financial position of 1930 (a good harvest, transfer to DEC the funds of liquidated district budgets, availability of significant unused means of self-taxation for previous years» (CSA RK. F.30, In.2, c.1508).

As mentioned, there was a very tense situation with the financing of a network of new institutions (schools, hospitals, etc.) in the districts. In this regard, it should be noted, that the allocation of monetary means from the center, which considered the Republic as a suburb, which should be financed on a residual principle. Accordingly, this situation was also aggravated by the systematic delay of subsidies, although the RSFSR, recognizing this state of affairs allocates 7 million rubles, as noted in the instruction, «for universal education at the expense of economic bodies», that is, to solve their own problems themselves. This decision was incomparable and unrealistic, because economic bodies had not been able to pay them. Kazakhstan also did not receive a significant portion of centralized social insurance funds.

The PCF, taking into account these circumstances, since 1933 gaining some experience to get out of this situation, independently develops a special program of action. The program was primarily aimed at covering a range of issues, first of all, the study of the true situation, and the verification on the places of the circumstances of budget planning and allocation of means. According to the results, the distribution of the means by fields

and social structures according to the new situation are provided.

Thus, the purpose of distribution of budget funds and implementation of inspections is creation of special teams. The organization and conduct of local campaign to survey the financial state of the budget of the rural councils came from the decisions of the Board of the PCF. This check was carried out by organizing teams of representatives of public organizations (sections of the Council of Kazakhstan, local financial asset), with departure to remote rural councils. The work on the survey was coordinated and carried out jointly with the district sector or district bodies established and operating under the district groups, as budget sectors initially established to define the financial plan.

So, in 1933 SPC of KazASSR independently emits the amount of 50,000,000 rub. with the adoption of the decree «On the financing from the budget of Kazakhstan» at the event on arrangement of street kazakh children– nomads in Karkaraly district (CSA RK. F.30, In.2, c.1508).

The results of budget execution for the past year, 1932 are taken as a basis. Particular attention is paid to budget execution, the availability of actual salary arrears and other expenses, borrowing from credit institutions and unpaid debts on short-term loans, and even the presence of indicators such as «misappropriation of public funds». What was meant by «misappropriation?» The study of separate documents reveals the semantic content, which was concluded in the fact that everyone as far as possible tried to influence on attraction of means in the local budget to solve pressing issues of local Executive bodies on filling the local Fund. Sometimes the financial regime was violated, as described by the personnel financial officers-auditors, «mismanagement, credit-free costs», «poor knowledge or ignorance of the economy, network activities and contingents, as in individual institutions, was also associated with «unplanned construction», the formation of so-called «budget reserves» (CSA RK. F.229, In.1, c.876).

In this regard, it should be noted that all identified violations were considered in more detail in the construction of the budget of the Republic for the following years. PCF from the current moment, initially, in the construction of budget planning, provides for compliance with budget discipline, asking questions whether revenues were fully identified, whether all considered applications from the field were included in the budget, whether there is a case of hidden identified revenues and entities, at their expense, for the production of

expenses, in excess of the plans approved by the budget, whether there are cases of illegal regulation of local and state revenues, whether the budget necessarily includes repayment of debts from previous years, whether the amount of the return of misappropriated state revenues, allocated from the funds of the parent body, are approved by the budget target character, as a use of funds of the state insurance and self-taxation, or whether the establishment of this Council, the limit of capital investments, does the payroll, the coverage limit reductions administrative- management costs, their compliance with the staff and network contingents (freelance workers, attracted on time), salary rates, expenditure standards, their compliance with the established rules of the terms, forms and order of quarterly cash payments and monthly income and expense schedules, the procedure for loans, the rules of budgeting, approval and execution of additional estimates, as well as verification of reporting and their compliance with cash discipline. Expenditure and revenue part of the budget in industry, municipal and rural affairs, the costs of education and health care were flexibly built and considered in the context of the financial plan for the next year as well. Despite the initial stage of the formation of the budget policy in the country, such an approach to the state system of financing and the distribution of budget means shows great responsibility and high discipline in terms of the use of financial resources.

And already, in the construction of budget financing of agriculture in the basis of control figures construction were taken into account the defining moments associated with the circumstances of the current nature, «.....recognizing the tense state of Kazakhstan economy by a significant number of areas as a result of the consequences of the migration, it is necessary to quickly eliminate them and reduce the number of livestock, control figures should be built to main budget means of 1934 must be decisive for the economy at the expense of main levy of allotments, the mobilization of extra-budgetary resources and funds of industrial, municipal economy and agriculture.

Regarding social provision, in 1934 region financial departments by legislative guidance of PCF provided families, persons called up in the red army, invalids of Civil war by social pensions. On the other hand, PCF noted the decision of social provision this category of people in their employment. The solution of issues was considered in the development of disabled cooperation activities in the capitalization pensions for individual cooperation system.

In 1934 regional financial department, according to the instruction of PCF, at construction of the industrial budget proceeded from a strict data accounting of inventory of the industry, grouping them on various bases: small, grassroots and urban as well.

If the budgeting drawn up randomly before, but now, budget planning was developed gradually as «...allocation of budget sources and assignments», and in accordance with the envisaged financial plan, «...on the basis of the attached forms...», that is, on the basis of developed and released financial documents. And the code of control digits became available to PCF on the basis of already developed forms, «...in the expanded form, on separate groups, in the differentiated budget with the allocation of all items of revenue sources according to the nomenclature of 1933». (CSA RK. F.229, In.1, c.876.)

It should be noted that the work on the preparation of the PCF budget for 1933 is taking place in extremely difficult conditions, due to many reasons.

In 1933 the PCF determined budget of KazASSR in the amount of 2022686 000 rub. At that point budget is approved by two indicators: revenues – 178677,5 thousand rub., expenditure – 202,268 thousand rubles and the deficit – 23591,1 thousand rub.

Instructions for drawing up a financial plan differentiated by each type of industry: heavy, light, and the so-called «grassroots» (local). They were accompanied by explanatory notes (justification), the presentation of tables by forms with indicating all the necessary information, affecting such issues as: execution, coverage of investment and circulating means, ways of development of the necessary growth of working capital, calculations for municipal, housing economy and education.

Thus, since the beginning of 1934 the organization and methodology of financial plans compiling aligns gradually and in the following years is already based on the methodical guidelines and instruction materials released by the Central financial apparatus.

A new turn in terms of improving the quality of budget planning and distribution and, in this regard, gaining gradually independent experience can be seen in the next steps of the Republic.

February 02, 1934 the SPC of Kazakhstan adopted a resolution «On the state of the budget and financial system», which addressed the main issues of «unsatisfactory performance of budget work», which indicates: the shortcomings of the budget



distribution, that is, the differences, lowered and requested, «... as a result, the budget work was carried out in the amount of increased control figures adopted by the CEC session of February 8, 1933 and in which the volume of capital investments was significantly lower than the final, approved options. It was also noted that one of the reasons along with mentioned was»...a significant delay in the establishment of the final plan of financing of subordinate budgets, which reduced the responsibility for the execution of plans and financing for the execution of the budget revenues, that the noted above lacks of the budget campaign were as a result of shortcomings in the budget-financial work in Kazakhstan, and the consequence of the fact that agreed with the order of December 10, the initial version of the budget of Kazakhstan on expenses (especially the volume of capital investments) has been sharply changed upwards without taking into account their reality». (CSA RK. F.229, In.1, c.876)

At the same time it was noted that the financial and budgetary inspection extremely poorly carried out fight for budgetary discipline and without support from WPI and executive committees, especially from local agricultural and rural budgetary bodies. The resolution also noted that SPC of KazASSR considers «delay until this time of calculation for the turnover tax for the 1st quarter exceedingly abnormal from RusComFin (from the entitlement budget 14 343 thousand rub. transferred in advance payment only 3600 thousand rub. in 1 quarter, in the second quarter 6700 and 3900, replacement in the second quarter are entitlement subsidies and cash balances of local budgets. (CSA RK. F.229, In.1, c.877). It was also noted that «...in terms of KazASSR, the cash gap deepened much more, because it is not possible to quickly transfer the budget balances in order of borrowing to accounts seeking budgets», due to indicators such as «... poor quality of financial work especially in rural areas, the presence of excesses, perversions during mass taxes and embezzlement in the savings bank system, extremely weak socially – mass work in the field of finance and the absence of mobilizational public works and financial budget section in the performance of weak staffing apparatus, fluidity and weak inflow (CSA RK. F.229, In.1, c.877).

For the purpose of providing with personnel, it was decided «to return back all financial workers

from other institutions» (it is meant hiring old staff that served under the old regime) to carry out training specialists in Leningrad and Tashkent as well. Also in this resolution the decision is made, «...to ask the PCF of the Union to take into account the peculiarities of Kazakhstan by regulatory revenues of 1934, assigning to it such revenue sources that would ensure the normal construction and uninterrupted implementation of all budget financing during the year.» (CSA RK. F.229, In.1, c.877)

In connection with the abolition of bread cards the role of budget planning and distribution of means in the implementation of the national economic plan in 1935 increases significantly. During this period, in order to solve significant problems and find new opportunities, special attention is paid to trade by financing its separate areas. Thereby, on the basis of the solved problems of budget planning and distribution volume of the budget of Kazakhstan in the first half in the 30s amounted from 77879 to 181305 thousand rub. and for specific activities 4488884,5 thousand rub. were invested into the budget, which affected the course of further execution of the budget 120035.8 thousand rubles. If you look across industries you can see that it was invested 252736,5 thousand rubles in socio-cultural activities, amount 220549,9 thousand rubles were implemented, plan of budget for administration was 81087,2 thousand rub., but executed 84378.8 thousand. (CSA RK. F.229, In.1, c.897)

In subsequent years, despite the difficult period of the historical section of Kazakhstan, as a result of efforts to improve the quality of budget allocation and the development of planning methods, but increase of the volume of budget investments in the national economic and social sectors becomes noticeable.

#### Abbreviated words

PCF – People's Commissariat of Finance

SNK – Council of people's Commissars

Recombin – Russian Committee of Finance

#### Abbreviations in the text

DEC – district Executive Committee

WPI – workers and peasants inspection

PCF – People's Commissariat of Finance

SPC – Soviet of People's Commissars

RCF – Russian Committee of Finance

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