



INTERBUDGETARY EQUALIZATION IN FORMING THE INCOME POTENTIAL OF THE REGION

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ABSTRACT

One of the features of the organization of local budgets of the Republic of Uzbekistan is the centralization of revenue sources and expenditure powers at the level of the state budget, the formation of local budgets "from top to bottom", as a result of which their often observed loss-making. This leads to the fact that, subject to the rational use of gratuitous deductions from the higher budget, the subordinates in most of the administrative-territorial entities of Uzbekistan observe medium or low financial independence of the territories from the center.

KEYWORDS: *income potential of the region, local budgets, interbudgetary equalization, interbudgetary transfers, efficiency of the transfer mechanism.*

INTRODUCTION

In world practice, interbudgetary equalization tools are widely used by highlighting various forms of transfers and ensuring their effectiveness. "In most developed countries, inter-budget equalization leads to a significant reduction in fiscal disparities (budget revenues per capita) before and after the distribution of transfers. On average, for OECD (Organization for Economic Cooperation and Development) member countries, the coefficient of variation is reduced from 30 to 20%, and the differences between the most and least prosperous territories are reduced from about 3 times (before equalization) to 1.4 times (after equalization)" [1]. This confirms the importance of increasing the efficiency of the system of interbudgetary relations. As the most important scientific directions for improving the system of interbudgetary relations, the world's leading research institutes propose to improve existing and develop innovative methods and methodological approaches to determining spending needs and the main aspects of equalization programs within the budget space, the transition from the "cost management" paradigm to the paradigm "results management" (ROB), the use of a wide range of methods of economic and mathematical modeling and forecasting in order to improve the efficiency of public finance management, the introduction of digital technologies to create an integrated information environment for state budgets.

MAIN PART

The construction of the budget system of the Republic of Uzbekistan is based on the Constitution of the Republic of Uzbekistan. Thus, in accordance with the Constitution of the Republic of Uzbekistan (Chapter XXV Finance and Credit, Article 122): "The state budget of Uzbekistan includes the republican budget, the budget of the Republic of Karakalpakstan and local budgets". Entering the budget system of the country, all budgets are interconnected within the framework of interbudgetary relations [2].

The Budget Code of the Republic of Uzbekistan gives the following definition of interbudgetary relations: "Interbudgetary relations are relations between the republican budget of the Republic of Uzbekistan, the republican budget of the Republic of Karakalpakstan, regional budgets of regions, the city budget of the city of Tashkent, the budgets of districts, cities, as well as the budgets of state trust funds to ensure relevant budgets with the financial resources necessary for the implementation of the costs assigned by this Code to the relevant budgets" [3].

According to Vakhobov A.V. and Zhamolov H.N. "interbudgetary relations, first of all, act as a form of financial relations that arise in the process of formation, distribution and use of the fund of monetary resources and express a systematically organized set of cash flows between the subjects of interbudgetary relations. The authors divided the subjects of interbudgetary relations into: legal forms



of the budgetary-tax mechanism and objective financial processes (budgetary flows) and the system of budgetary funds" [4].

Based on the foregoing, interbudgetary relations can be defined as a system of relations of an economic and legal nature regarding the delimitation of expenses and incomes between different levels of government in order to equalize them and ensure a sufficient level of financial resources to fulfill the corresponding obligations. [5]

ANALYSIS AND RESULTS

There are a number of unresolved problems in the modern system of local budgets in Uzbekistan. One of them is characterized by the heterogeneity of the economic space, which affects the level of budgetary provision of the regions, which leads to differentiation in terms of the population's access to state-guaranteed services. Another group of problems is associated with a low level of financial independence due to the lack of stable sources of income in the territory of the administrative entity. The third group of problems is that the current state of the budget system of Uzbekistan is characterized, on the one hand, by the decentralization of spending powers, and on the other hand, by the simultaneous concentration of revenue sources at the state level. And, finally, an important problem is the irrational use of funds from local budgets, which often leads to violations of budget legislation. In accordance with the Development Strategy of New Uzbekistan for 2022-2026, one of the most important priority areas for the development of the republic is the further increase in the standard of living of the population, which has an important regional aspect, in this regard, there is a need to "improve interbudgetary relations aimed at strengthening the revenue side of local budgets [6].

At the present stage, one of the main tasks of the Government of the country in the budgetary and financial sphere is defined as "targeted and rational use of budgetary funds, as well as their savings, strengthening budgetary discipline, strengthening the system of accountability for the effectiveness of the use of budgetary funds" [7]. All this confirms the need for further reform and search

for optimal ways to resolve the problems of the system of interbudgetary relations.

As a result of the systematization of the scientific views of domestic and foreign economists, the author's interpretation of the definition of "interbudgetary relations" has been formulated, which allows emphasizing their socio-economic essence and shifting the focus from the relationship between the levels of the budget system to provide the financial resources necessary for spending, to the relationship regarding the delimitation of costs and income between different levels of government in order to equalize them and provide a sufficient level of financial resources to fulfill the relevant obligations and improve the living standards of the population as the main principle of the long-term sustainable development of the state.

Based on the definition of the main elements of the system of interbudgetary relations, the classification of the most important components of the effectiveness of the system of interbudgetary relations is generalized and supplemented, which makes it possible to assess the impact of economic, political, social and innovative factors on the functioning and development of local budgets, a classification of the most important components of its effectiveness, including economic, political, social ecological, innovative components.

According to Table 1, in 2022 there was a downward trend in the actual share of local budget revenues in state revenues (without transfers), which indicates the low efficiency of the allocated fiscal equalization funds in the regions.

In general, the effectiveness of the country's transfer mechanism is manifested in the extent to which the current system of redistribution of budgetary resources contributes to the development of each administrative-territorial entity and the region as a whole. At the same time, the development of interbudgetary relations is expressed not only and not so much in indicators characterizing the state of the budget system or the budgetary provision of territories, but in indicators of the development of the economy and the social sphere of individual territorial entities, in terms of the level and quality of life of citizens.

Table 1.
The results of assessing the effectiveness of the system of interbudgetary relations of the Republic of Uzbekistan in 2022

Regions	Share of local budget revenues in state budget revenues without transfers (average value for the country 7.14)	Indicator score	Share of local budget revenues in state budget revenues, including transfers (average value for the country 7.14)	Indicator score
Republic of Karakalpakstan	8,63	Above average	6,91	Below the average
Andijan region	6,15	Below the average	8,47	Above average
Bukhara region	7,29	Above average	5,83	Below the average
Jizzakh region	3,56	Below the average	4,73	Below the average
Kashkadarya region	11,24	Above average	8,99	Above average
Navoi region	4,81	Below the average	3,85	Below the average
Namangan region	5,74	Below the average	7,97	Above average
Samarkand region	7,31	Above average	10,38	Above average
Surkhandarya region	5,33	Below the average	7,39	Above average
Syrdarya region	2,37	Below the average	3,13	Below the average
Tashkent region	10,20	Above average	8,16	Above average
Fergana region	12,99	Above average	10,39	Above average
Khorezm region	3,96	Below the average	5,45	Below the average
Tashkent city	10,41	Above average	8,33	Above average

The low degree of efficiency of the system of interbudgetary relations in Andijan, Namangan and Surkhandarya regions is evidenced by the following factors:

- the actual share of local budget revenues in state budget revenues without transfers is below the national average;

- the actual share of local budget revenues in state revenues without transfers is below the national average, and the actual share of local budget revenues in state revenues, taking into account transfers, is above the national average, which means an increasing burden on local governments by state powers while limiting funds for resolution of local issues.

CONCLUSIONS

In general, the main directions for improving the system of interbudgetary relations in Uzbekistan can be noted:

1. Implementation of a clear system for monitoring the system of interbudgetary relations based on an integral assessment of indicators related to the level of business activity, budgetary security, financial independence and sustainability of the local budget.

2. Using a system of quantitative indicators to assess the real budgetary situation of the region

and a methodology for determining the financial sustainability of local budgets and the priorities of their expenditures, which is an integral element of the performance-based budgeting (ROB) mechanism.

3. Formation of a clear algorithm for calculating the volume of expenditures and allocated transfers, implementation of measures aimed at smoothing interregional differentiation, budgetary security and access to state-guaranteed services, for which it is advisable to define.

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