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ISSUES OF IMPROVING FISCAL POLICY AIMED AT STRENGTHENING LOCAL BUDGETS IN UZBEKISTAN

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ANNOTATION

This article reflects the reforms in the public finance system aimed at improving fiscal policy, budget system, public debt management, and financial control. Such issues as optimizing budget revenues and expenditures, reducing public debt, and increasing the transparency of the public financial system were considered as priority financial areas in the country.

KEYWORDS: *public finance reform, public finance, state budget, public debt, fiscal policy, budget system, financial stability, optimization.*

INTRODUCTION

The relevance of this issue is directly related to the improvement of budget policies aimed at strengthening local budgets in Uzbekistan, which is explained by the following factors:
First, regarding the economic and social significance of local budgets, it is crucial to strengthen local budgets to ensure sustainable regional development, meet the needs of the population, and develop local infrastructure.

Secondly, due to the necessity of decentralization, increasing the autonomy of local authorities and providing them with the opportunity to manage financial resources by reducing the level of centralization in the public finance system remains an urgent task.

Thirdly, it is necessary to enhance the processes of fair resource allocation and their effective management by reinforcing local budgets for the efficient use of financial resources.

Fourthly, strengthening local budgets is one of the main directions of the fiscal reforms being implemented in the country as a priority area of state policy, making the study of this topic even more relevant.

Fifth, in the strategic goals of "Uzbekistan-2030" [1] for regional development, increasing the efficiency of local budgets to ensure sustainable regional development is identified as a crucial factor.

In-depth study of these issues and the development of practical proposals are of strategic importance for improving the efficiency of public administration in Uzbekistan, ensuring regional economic stability, and enhancing the well-being of the population.

LITERATURE REVIEW

Doctor of Economics, Professor T.S. Malikov, in his textbook "Budgetary and Tax Policy"[2] addresses budgetary and tax policy as follows.

According to this textbook, "All of the most pressing issues in budget policy involuntarily stem from budget deficits." By looking at its level alone, it is possible to assess the state of budgetary policy at the macro level. At the same time, the level of budget deficit plays a crucial role in determining the financial independence of any state. It must be at a certain level (norm). If the level of budget deficit exceeds the generally accepted level, it poses a serious threat to a country's independence. This, in turn, means that in the current situation, reducing the budget deficit has become a central issue of budget policy, and in some cases, a matter of "life or death."

Foreign scholar E.A. Sidorova, in her textbook "Budget and Financial Policy in the European Union" [3] states: "Currently, in economics (finance) and global practice, there are several conceptual approaches to the problems of budget deficit and budget policy." When developing budget policy regarding budget deficits, it is important to take them into account or pay attention to them.

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This textbook also states that "under the first concept of budget deficit and related budget policy lies the idea that the country's state budget should be balanced annually. At the same time, this idea did not arise spontaneously or artificially. Because before the Great Depression in the 1930s (1929-1932) the annually balanced budget was universally recognized as the desired goal of public finances and financial policy.

Similarly, according to J. Soros in his work "Alchemy of Finance" [4] "there is no tax policy that is completely independent of budgetary policy and is not directly related to it, and vice versa. The main directions of tax policy in the next fiscal year and some possible changes in it, along with some other reasons, ultimately depend on the size of the budget expenditures involved in that year. In turn, the main directions of budget policy for this year and some possible changes in it are undoubtedly determined by the size (amount) of budget revenues. In this sense, it is impossible to properly imagine tax policy without budgetary policy and vice versa, budget policy without tax policy. Their mutual commonality, interdependence, and interdependence testify to the unity of fiscal policy.

METHODOLOGY

In studying the topic, utilizing deductive or inductive methods from general to specific and vice versa proves effective, while the method of abstract-logical thinking is important for systematic analysis of the process. During the scientific analysis, these scientific research methods were widely employed, particularly the methods of observation, generalization, grouping, comparison, and analysis, with synthesis and analytical approaches being extensively used in the analysis process.

ANALYSIS AND RESULTS

Improving local budget policy has a direct impact on the country's overall economic stability and social development. Further deepening of reforms in this area is essential for sustainable development.

This is stated in Article 35 of the Budget Code of the Republic of Uzbekistan [5]. Specifically, the structure of the budget of the Republic of Karakalpakstan, local budgets of regions and the city of Tashkent is as follows: the budget structure of the Republic of Karakalpakstan includes the republican budget of the Republic of Karakalpakstan and the budgets of districts and cities of the Republic of Karakalpakstan; the structure of local budgets of regions includes the regional budget and budgets of corresponding districts and cities; and the structure of the local budget of Tashkent city includes the city budget and the budgets of districts within the city.

In Uzbekistan, the local budget is understood as part of state finances at the regional level, which is a financial plan approved, formed, and implemented by local authorities. Local budgets play an important role in ensuring the economic and social development of regions. This concept has the following main features:

Based on the source of funding, local governments organize the collection, management, and use of financial resources necessary for public administration at the district, city, and regional levels.

1. In terms of revenue sources, local budget revenues are primarily formed from local taxes, fees, state duties, funds received from services rendered, state transfers, and other sources.
2. Local budget funds are directed to cover expenses in areas such as the development of the region's economic infrastructure, financing social services, healthcare, education, and utilities.
3. In terms of local independence, local budgets play an important role in ensuring the autonomy of regional governing bodies, as they have the right to generate their own income and plan their expenses.
4. Regarding the legal basis, the management of local budgets in Uzbekistan is regulated by the "Budget Code" and other regulatory legal acts. These documents define the structure, formation, execution, and reporting of budgets.

The revenues of the budget of the Republic of Karakalpakstan, local budgets of the regions and the city of Tashkent are:

1) in accordance with established standards:
- profit tax;
- personal income tax;
- excise tax;
- subsoil use tax (excluding tax for the use of subsoil for building materials).

2) water resource use tax;
3) property tax;
4) land tax;

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5) tax on the use of subsoil for building materials;

6) turnover tax;

7) non-refundable cash receipts from legal entities and individuals, as well as from foreign countries;

8) fee for the purchase and (or) temporary import of vehicles into the territory of the Republic of Uzbekistan;

9) other income. Other income includes proceeds from the sale of property transferred to state income, revenues from the placement, use, and sale of state assets according to established standards, state duties, fees, indemnities and fines, proceeds from the sale of ownerless property, property transferred to the state by right of inheritance, treasures subject to transfer to state income by law, dividends (income) on the share of local government bodies and other proceeds in accordance with the legislation, which are directed to the budget of the Republic of Karakalpakstan, local budgets of regions and the city of Tashkent.

Interbudgetary transfers allocated from the republican budget of the Republic of Uzbekistan are considered as income of the republican budget of the Republic of Karakalpakstan, regional budgets of regions, and the city budget of Tashkent.

Certain taxes and other revenues received by the republican budget of the Republic of Uzbekistan may be distributed to the republican budget of the Republic of Karakalpakstan, regional budgets of regions, and the city budget of Tashkent in the amounts and manner prescribed by law.

Indicators for determining the stability of local budgets play an important role in assessing the financial strength and economic stability of regional budgets. The characteristics of these indicators are as follows:

Table 1

Forecast of revenues and expenditures for the 2024 budget of the Republic of Karakalpakstan, regional budgets, and the budget of Tashkent city [6]

Billion Soums

№	Names of Regions	Income*	Expenses**
1.	Republic of Karakalpakstan	3 069,3	5 147,3
2.	Andijan region	4 087,3	6 001,1
3.	Bukhara region	4 232,4	4 593,5
4.	Jizzakh region	2 415,6	3 304,2
5.	Kashkadarya region	4 879,1	5 806,2
6.	Navoi region	2 904,1	3 086,6
7.	Namangan region	3 564,7	5 548,7
8.	Samarkand region	5 191,7	6 780,2
9.	Surkhandarya region	3 104,5	4 937,3
10.	Syrdarya region***	1 502,1	2 403,9
11.	Tashkent region	5 668,0	6 185,3
12.	Fergana region	5 399,0	7 342,6
13.	Khorezm region***	2 879,0	4 082,8
14.	Tashkent city***	9 163,3	9 677,2
	Total	**58 060,1**	**74 896,7**

*Excluding transfers for excise tax on tobacco, alcoholic products including beer (except for imported products), and mobile communication services.

**Including expenses related to servicing state debt repaid from local budgets.

***Transfers to the State Medical Insurance Fund - 2,848.3 billion soums (of which Syrdarya region - 842.4 billion soums, Khorezm region - 4.2 billion soums, Tashkent city - 2,001.7 billion soums).

Achieving financial stability in local budgets contributes to the socio-economic development of regions and enhances the independence of local budgets. It is known that the revenues of local budgets have been unstable, and until recent years, their revenues and expenditures were balanced through various methods and means. Through the table below, we can familiarize ourselves with the amount, composition, and dynamics of local budget execution for the year 2023 (Figure 1).

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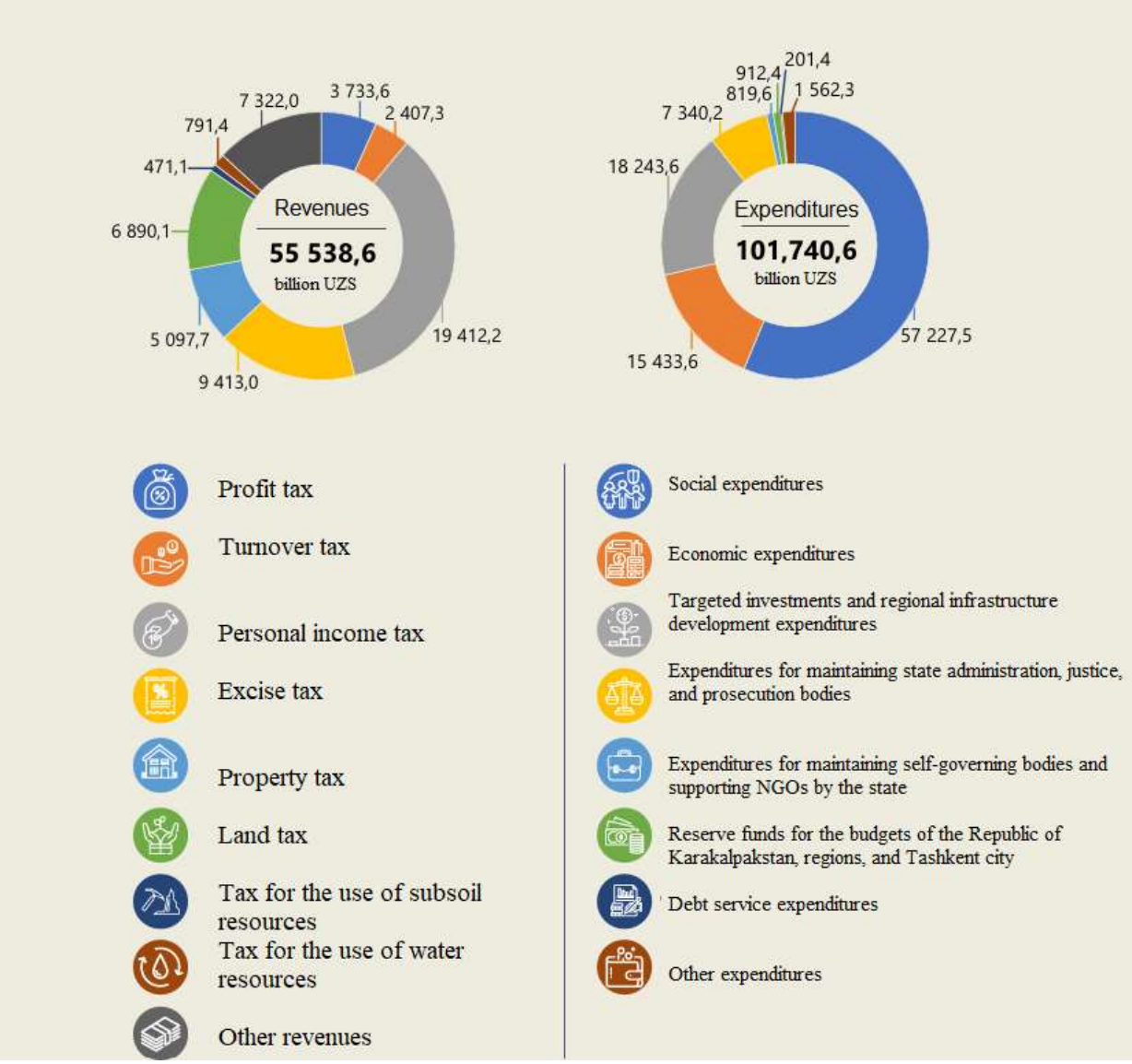


Figure 1. Implementation of Local Budget Parameters for 2023 [7]

The Law on the State Budget of the Republic of Uzbekistan, approved annually, establishes the amounts of regulatory interbudgetary transfers allocated from the republican budget to the republican budget of the Republic of Karakalpakstan and the regional budgets of the provinces.

The coverage of local budget expenditures exceeding the forecasts of corresponding revenues is carried out through the allocation of regulatory interbudgetary transfers from the republican budget of the Republic of Uzbekistan.

It is projected that in 2025, regulatory interbudgetary transfers amounting to 18.4 trillion soums (including 3.2 trillion soums from excise tax revenues) will be transferred from the republican budget of the Republic of Uzbekistan to the republican budget of the Republic of Karakalpakstan, the regional budgets of provinces, and the city budget of Tashkent (Table 2).

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Table 2

Forecasts of local budget parameters for 2025 [8], *Trillion Soums*

	Income*		Transferts**	Expenses***
	Total	**65,8**	**18,4**	**84,3**
1.	Republic of Karakalpakstan	3,4	2,2	5,6
2.	Andijan region	4,5	2,2	6,7
3.	Bukhara region	4,6	0,7	5,3
4.	Jizzakh region	2,5	1,1	3,6
5.	Kashkadarya region	5,3	1,0	6,2
6.	Navoi region	3,4	0,1	3,5
7.	Namangan region	3,9	2,2	6,2
8.	Samarkand region	5,9	2,1	8,0
9.	Surkhandarya region	3,5	2,0	5,5
10.	Syrdarya region	1,7	0,8	2,6
11.	Tashkent region	6,8	0,3	7,1
12.	Fergana region	6,0	2,2	8,2
13.	Khorezm region	3,2	1,3	4,5
14.	Tashkent city	11,2	0,3	11,4

As shown in Table 2, the amount of regulatory transfers allocated from the republican budget to the budget of the Republic of Karakalpakstan, regional budgets, and the budget of Tashkent city amounted to 10,170.9 billion soums in 2020 and 10,443.0 billion soums in 2021. In 2022, the amount allocated to local budgets of the regions reached 14,115.6 billion soums, while for 2023, 6,231.1 billion soums were allocated from the budget for regulatory transfers.

CONCLUSION AND RECOMMENDATIONS

Based on the above, it can be said that it serves as an important factor in strengthening Uzbekistan's local budgets, ensuring economic stability, improving the quality of social services, and stimulating regional development. Effective management of local budgets and expanding their financial capabilities will make a significant contribution to the overall economic development of the republic. The study analyzed the main problems of local budget policy, the distribution of financial resources, and shortcomings in income and expenditure control. A number of recommendations have also been developed for further improving the local budget system.

1. To expand sources of local income, it is necessary to improve the tax collection system. In particular, it is possible to further increase tax payments from small and medium-sized businesses and create benefits for them, thereby strengthening the revenue base of local budgets.
2. It is necessary to introduce digital systems to increase accountability and transparency of local budgets. Providing financial statements of local khokimiyats and budget organizations in electronic form will make the budget process more open and understandable for citizens and entrepreneurs.
3. To manage and reduce the debt of local budgets, it is necessary to establish maximum borrowing limits. In addition, it is necessary to more effectively organize the allocation of local budgets to social and infrastructure projects.
4. It is necessary to implement a systematic monitoring system for local budgets. This will help to control the targeted use of budget funds and effectively manage them. The monitoring system allows for the assessment of the effectiveness of the local budget and the continuous analysis of its results.
5. It is necessary to increase financial assistance from the center to underdeveloped and impoverished regions, allocating additional resources for them. This will help ensure regional development and improve social services.
6. The main part of local budgets should be allocated to the social sphere, especially education, healthcare, and infrastructure development. These areas serve to improve the living conditions of the population in accordance with the state's long-term development strategy.

Improving policy aimed at strengthening local budgets will ensure not only economic stability, but also regional development. Furthermore, to enhance the efficiency of the local budget system, it is necessary to modernize financial management, apply digital technologies, and strengthen interaction with the population. By

implementing the aforementioned proposals, it is possible to achieve effective functioning of local budgets, economic growth, and an increase in the well-being of the population.

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