

INTER-BUDGET 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, inter-budget equalization, inter-budget transfers, efficiency of the transfer mechanism.

INTRODUCTION

Inter-budget equalization means are widely used by exhibiting various forms of transfers and assuring their effectiveness in the world practice. "In most developed countries, inter-budget equalization makes fiscal differences (budget incomes of people) significant decreased before and after the distribution of transfers. In OECD (Organization for Economic Cooperation and Development) member countries, average coefficient of variability decreased from 30 to 20%, and the differences between the most prosperous and least developed territories decreased from about 3 times (before equalization) to 1.4 times (after equalization)" [1]. It confirms the importance of increasing the efficiency of the system of inter-budget relations. The world's leading research institutes offer to create and develop innovative methods and methodological approaches to determining the necessities of spending and the main aspects of equalization programs in the budget space, the transition from the "cost management" paradigm to the "results management" (RBM paradigm), usage of a wide range of methods of economic and mathematical modeling and forecasting in order to increase the efficiency of state finance management, the introduction of digital technologies, creating an integrated information environment for state budgets

as the most important scientific directions for developing the system of inter-budget relations.

ANALYSIS OF LITERATURES ON THE TOPIC

The construction of the budget system of the Republic of Uzbekistan is based on the Constitution of the Republic of Uzbekistan. So, according to 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 with the framework of inter-budget relations [2].

There is a definition of the inter-budget relations The Budget Code of the Republic of Uzbekistan: "Inter-budget relations are budget 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 Republic of Uzbekistan. The budgets of districts, cities, as well as the budgets of state trust funds are provided with the financial resources for operating the spending of budgets that are assigned by this Code." [3].

According to Vakhobov A.V. and Zhamolova H.N. "first of all, inter-budget relations are the form of financial relations that are materialized in the process of formation, distribution and use of the fund of monetary resources and they express systematically organized monetary funds between the subjects of inter-budget relations. The experts separate the subjects of inter-budget relations into following parts: legal forms of the budget-tax mechanism, objective financial processes (the flow of budget) and the system of budget funds" [4].

Based on the facts above mentioned, inter-budget relations can be defined as a system of an economic and legal relations for equalizing expenses and incomes between different levels of government and providing 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 variety of the economic space, and it affects the level of budgetary provision of the regions, it makes the population's ability of using state-guaranteed services differentiation. 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 subject. 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 income sources of state. And, finally, an important problem is the irrationally using the funds of local budgets, it occurs violation of

budget law. In according to the Strategy for the Further Development of Uzbekistan for 2017-2021. 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 inter-budget relations aimed at strengthening the revenue side of local budgets [6].

At the present time, one of the main tasks of the Government of the country in the budgetary and financial sphere is “using purposefully and rationally budgetary funds, economizing them, strengthening budgetary discipline, strengthening the system of responsibility for the effectiveness of the use of budgetary funds” [7]. All of these confirms it should be further reform and search for optimal ways to resolve the problems of the system of inter-budget relations.

As a result of the systematization of the scientific views of domestic and foreign economists, the author's interpretation of the definition of "inter-budget 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 inter-budget relations, the classification of the most important components of the effectiveness of the system of inter-budget 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 2019 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 inter-budget 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 appraising the effectiveness of the system of inter-budget relations of the Republic of Uzbekistan in 2019

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

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

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

CONCLUSION

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

1. Implementation of a clear system for monitoring the system of inter-budget 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 (RBB) 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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