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**DESCRIPTIVE ANALYSIS OF THE CURRENT STATE OF PUBLIC FINANCE
MANAGEMENT OF UZBEKISTAN**

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Annotation

This article examines public finance management, reforms implemented in Uzbekistan on effective public finance management, and priorities for improving the public finance system. The analysis of the research object has led to the conclusions that offers to develop mid-term budgeting, strategic approach in the current system of budget planning, increase the effectiveness of public procurement and investment management, develop a public debt management strategy, introduce an effective system of existing risk assessment to manage public assets and liabilities, to prevent irrational increase in budget obligations. In that way, the paper also discusses current issues of PFM in a broader sense. During the study, other works of local researchers on this topic were used to get additional insights that improve our descriptive research.

Keywords: PFM, GFS, strategy for optimizing public finance management, inter-budgetary transfers, government intervention, budget content.

INTRODUCTION

Today, all spheres of society and state life are rapidly developing, requiring the implementation of reforms based on the improvement of public finance management, which ensures rapid and high-quality development on the way to our country's entry into the ranks of world civilization leaders. In 2018, on the basis of the critical analysis of the current budget system according to the PEFA methodology, the results of the evaluation of the efficiency of public finance management, and the diagnostic evaluations of the openness of tax and budget policy based on the Transparency Code of the International Monetary Fund, public finance management in the last two years a number of improvement measures were implemented.

A public financial management (PFM) system is a set of rules and institutions, policies, and processes that govern the use of public funds across all sectors, from revenue collection to monitoring of public expenditures. PFM policies vary by country and can cover issues related to tax law, budget management, debt management, subsidies, and state-owned enterprises. A well-functioning PFM system is critical to ensuring accountability and efficiency in the use of public financial resources, while a weak PFM system can result in significant wastage of scarce resources. PFM is particularly relevant to health financing, as most resources for health tend to come from public budgets. In particular, PFM systems influence how much funding is



available and allocated to health, the effectiveness of spending on health, and the level of flexibility in use of health funds.

METHODOLOGY

This paper offers a spectrum of solutions to budgetary issues which the government is facing now. We analyzed the current state of government finance management and conducted descriptive research. This descriptive methodology focuses on the “what” of the research problem more than the “why.” The primary method for this paper the case study of Uzbekistan’s state budget.

RESEARCH AND ANALYSIS

Today, it is important to implement measures that ensure the effective organization of the financial system. At the current stage of economic reforms, reforms aimed at ensuring the stability of state finances are being consistently implemented in our country.

For instance, in order to ensure the openness and transparency of information about the state budget and the participation of citizens in the budget process, the following reforms are being implied:

- Since 2018, the information publication “Budget for Citizens” has been operating;
- The "Openbudget.uz" information portal, which provides detailed information on the state budget, was launched in January 2019
- Information on the execution of the state budget is being posted on the website of the International Monetary Fund in accordance with the standards of the Government Finance Statistics (GFS).
- Starting from 2019, a mechanism was introduced to allocate at least 10% of the additional resources generated in the district and city budgets based on the proposals made directly by citizens;

At the same time, the results of the analysis showed that there is a lot of work to be done in the state financial management system in order to achieve the goals set for the planning of medium and long-term budget projects of the country. In particular, the separate accounting of budget organizations and institutions and enterprises with a state share, as well as the fact that extra-budgetary funds of ministries and agencies are not reflected in the consolidated budget, hinders the full transparency of state budget funds.

A transparent methodology for calculating inter-budgetary transfers that would allow for independent determination of local budgets has not been developed. There is a need to improve the effectiveness of public procurement and investment management, develop a public debt management strategy, and introduce an effective risk assessment system for managing public assets and liabilities.

It is necessary for the state to make certain expenses for the implementation of its functions and tasks, and they collect funds through taxes and fees. Since taxes are one of the main tools of economic management, experts constantly think about the weight of taxes in relation to the gross domestic product.

Moreover, Uzbekistan is often criticized for high degrees of government intervention.

Table 1. Uzbekistan's government spending on different spheres in 2021¹

Budget spending on:	bln UZS	Share
Education	29,961.1	21%
Healthcare	19,397.2	14%
Culture and sports	2,340.7	2%
R&D	823.8	1%
Transfers	20,550.2	14%
Expenditure on economy	16,692.8	12%
Investment	18,843.7	13%
Administration	10,197.8	7%
Paying debt	1,816.4	1%
Others	22,360.3	16%

As we can see in this table, spendings on education, healthcare and social payments contributes the most share of government expenditures. But unlike other countries, they are followed by the expenditures on real economy which we do not see in most of the government's spendings of developed countries. This indicates that the government intervention into the economy is remaining high making the barriers for the private sector to develop in some fields. This can be also explained in the revenue statements of the state budget.

Table 2. State budget's revenue statement forecasts for 2022²

Statement	bln UZS	Share
Tax on profit	35,449	22%
Income tax	8,893	5%
VAT	53,300	33%
Excise	11,688	7%
Custom	4,827	3%
Tax on Resource	13,760	8%
Dividends	30,222	19%
Others	4,448	3%

In an ideal economy, government's share in real economy by means of producing goods and services as a competitor to private sector tend to be as low as possible. So, the dividends generated from business activity should contribute less in the content of state budget. But in the state budget forecasts, dividends are expected to form 19 percent of the total public budget. Also, under the guarantee of the Republic of Uzbekistan, the limited volume of new agreements signed annually to attract foreign debts is 4.5 billion US dollars, of which 2.5 billion US dollars are to support the State budget of the Republic of Uzbekistan. A limit of 2.0

¹ O'zbekiston Respublikasi "Ochiq Budget" Portali (openbudget.uz)

² LAW-742 ON THE STATE BUDGET OF THE REPUBLIC OF UZBEKISTAN FOR 2022, 30.12.2021



billion US dollars was set for investment projects. For 2022, the limited net volume of state securities to be issued on behalf of the Republic of Uzbekistan was set at 6.0 trillion UZS. State securities of the Republic of Uzbekistan issued during the financial year and redeemed in the current year are not included in the limited net volume.

The state budget is a component of the country's financial system and, accordingly, has all the characteristics of the financial system and performs all the functions related to it. At the same time, the state budget has unique characteristics, which, in turn, distinguish the state budget from other divisions of the financial system and allow it to occupy a central place in it. In fact, although the state is the organizer of all financial relations in every country, this feature of the country, that is, the role of the country as the main distributor of material and financial resources, is strongly manifested only in the budget.

The effectiveness of the influence of the state budget, the income of which is formed through taxes and other mandatory fees, on the economic and social life of society is a problem that requires a separate study. In this sense, the effectiveness of the state budget means, first of all, the level of effectiveness of this budget expenditure. Organization of reasonable and effective spending of budget resources is necessary in any society at present, as it has a significant impact on achieving optimal parameters of economic activity and solving the priority tasks facing the state. In the course of the investigation, these bodies are tasked not only with determining the misuse of budget funds, violations of the budget, civil and labor laws, but also with the task of evaluating the level of effectiveness of the use of budget funds. At the same time, in the current budget process, the effectiveness of the use of budget funds and the quality of financial management within the framework of financial control are paid little attention, and its results are hardly used in the formulation of budgets and management decisions. Due to the imperfect legislation, the lack of clearly defined legal norms and mechanisms, as well as the lack of development of methodological guidelines for assessing the level of effectiveness of the use of budget funds, the efficiency indicator is often replaced by the principle of the purposeful use of budget funds.

Depending on the above-mentioned macroeconomic indicators of the effectiveness of the state budget, it is possible to talk about its role as a means of state regulation of the economy and social sphere. But the dynamics of different macro indicators are not the same. This means that there is a certain uncertainty in measuring the level of effectiveness of budget expenditures. Moreover, the general macro-indicators are mainly informative and analytical in nature, they cannot be connected with the actions of specific individuals, someone's personal responsibility, and it is even difficult to connect them with the activities of a single state institution. At the same time, the state budget acts as a financial plan for concrete use of state funds. In the implementation of this plan, it is necessary to determine the level of effectiveness of budget expenditures, and it requires finding answers to the following questions: what were the state funds spent on, what were the results of these expenditures, what is the ratio of the final results and the expenditures? Here, solving the problems of personal and institutional responsibility for spending budget funds is of primary importance. The fact is that the method of "estimated planning" of budget expenditures, which is based on the reporting data on budget expenditure items for the previous year, which exists until now, practically avoids the problem of



determining the results of financing. More precisely, the expenses themselves are valid as a result, and in such conditions, it is impossible to determine the effectiveness of the financing of budget expenses. The estimated method of budget expenditure planning provides an opportunity to ensure targeted spending of funds and to compare the planned and actual amounts of funding. These facts are certainly useful within the framework of the current system of planning and financing, but they do not provide an opportunity to determine the level of effectiveness of budget expenditures. In this approach, the reporting estimate automatically generates the planned estimate, and this exchange can continue indefinitely. Because of this, it is necessary to significantly expand the scope of budget planning in the Republic of Uzbekistan. Thus, it is practically impossible to determine the level of effectiveness of budget expenditures within the framework of the annual budget, since almost all important economic and social processes take place in the longer term. Issues of the state budget and the effectiveness of budget expenditures are directly related to state financial control. This control provides an opportunity to compare the actual results of the use of budget funds with the results specified in the plan, to identify existing shortcomings and violations in the field of financing budget expenses, and to determine ways to increase the efficiency of the use of budget funds. In the conditions of market relations, the role of state financial control becomes even stronger, it becomes an important management function of any state, an inevitable condition for the normal functioning of the country's economy and financial system. The creation of a single concept of state financial control provides an opportunity to define many concepts and categories by law, and clearly define the functions of control subjects. All this significantly improves the work of state control bodies and reduces the level of effectiveness of their activities. Therefore, without improving the legislation, without adopting legal regulations on the organization of state financial control, and most importantly - without achieving their unconditional execution, it is practically impossible to achieve success in combating economic crimes, increasing the efficiency of the state budget and budget expenditures. For this reason, the development of an approach to determining the specific results of financing budget expenditures requires making serious changes in the budget planning process. Due to this, the budget reform implemented in the country requires the formation of procedures for assessing the level of productivity of budget expenditures and their inclusion in the budget process, from budget planning and financing of budget expenditures to budget planning (budgeting) aimed at achieving socially important and measurable final results. implies a step-by-step transition. Thus, the problem of the effectiveness of the state budget and budget expenditures is very diverse and covers a wide range of scientific-theoretical, socio-political, legal, methodological and non-practical issues. First of all, this problem should be solved by using new forms and methods of budget planning and financing, methodological guidelines for determining the performance indicators of spending budget funds, creating legal norms and mechanisms, as well as further strengthening state financial control.

DISCUSSIONS AND CONCLUSIONS

In the Republic of Uzbekistan, it is required to implement reforms aimed at achieving the strategic goals of the state, based on the improvement of public finance management. A



number of activities aimed at ensuring the openness and transparency of information about the state budget and the participation of citizens in the budget process are being implemented. Approval of the state budget by the Parliament, establishment of the "Budget for Citizens" publication, launch of the Openbudget.uz website, information on the execution of the State budget in accordance with the Government Financial Statistics (GFS) standards of the National and International Monetary Fund. It is one of them. However, there are a number of areas that require further improvement of state financial management. These can be following:

- defining the strategic medium-term prospects for achieving the medium and long-term goals in the state financial management system
- keeping separate accounts of budget organizations and institutions and enterprises with a state share, as well as reflecting extra-budgetary funds of ministries and agencies in the consolidated budget;
- development of a transparent methodology for calculating inter-budgetary transfers, which allows for independent determination of local budgets;
- increase the effectiveness of public procurement and investment management, develop a public debt management strategy, introduce an effective system of existing risk assessment to manage public assets and liabilities.
- The absence of a strategic approach in the current system of budget planning limits the possibility of allocation of budget funds based on the priorities of the tax-budget policy and the financial potential of the State budget.
- This, in turn, leads to an irrational increase in budget obligations and insufficient control over the effectiveness of the use of allocated budget funds.

In order to support the medium and long-term goals of the state policy and to create an effective public finance management system that meets the requirements for achieving it, from the principle of "availability" to "the medium- and long-term effectiveness" principle, which provides for the transition to the principle of evaluating the effectiveness of allocated budget funds. In order to transition to full-fledged medium-term budget planning, the main directions of the tax-budget policy and the principles of preparing the State budget for the medium-term period, determining the specific goals and deadlines for their achievement, and taking into account the analysis of fiscal risks in the medium-term it is necessary to develop a fiscal strategy for the period and take measures to implement the mechanism for ensuring its execution.

At the same time, it is necessary to take measures to increase the reliability of medium-term macroeconomic forecasts used by state bodies in the preparation of tax-budget forecasts and evaluate these data by comparing them with actual indicators at the end of the reporting period.

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