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WAYS TO INCREASE THE COMPETENCE OF LOCAL AUTHORITIES TO ENSURE THE STABILITY OF LOCAL BUDGET REVENUES

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ABSTRACT

The article discusses the powers of local authorities and the basis for their increase in achieving stability in local budget revenues. The possibilities of ensuring the stability of local budget revenues based on the appointment, definition and implementation of the competencies of local authorities are substantiated.

Priority strategic directions have been developed for further increasing the financial independence and responsibility of local governments when applying measures to increase local budget revenues, ensure sustainable development of territories, as well as a system of factors that determine the balance of local budgets.

As a result of the study, scientific and practical recommendations were given to expand the powers of local authorities.

Keywords: local budget, budget balance of local budgets, local budget revenues, local authorities, powers of local authorities, taxes, tax revenues.

Introduction

At the new stage of economic reforms implemented in the republic, there is a need to improve the state finance system in terms of content and quality based on the requirements of the time in order to increase the competitiveness of the national economy and further strengthen macroeconomic stability.

In the conditions of the market economy, the issues of budget and budget income formation are important. The socio-economic development of the country and regions, the improvement of the living conditions of the population, the quality of social protection provided to them, and the development of the infrastructure of the regions directly depend on the ability of local government bodies to find solutions to economic issues.

The concept of "budget" literally means an amount of money. "The budget determines the financial status of a particular entity, the collection of funds, the compatibility of income and expenses, and the surplus or shortage of funds. In other words, the budget is a balance of



monetary income and expenditure, or a form of formation and spending of a fund of funds intended to finance the tasks and functions of the state and local government"¹.

As an economic category, "budget" is a system of financial relations between the state and other subjects of the economy for the formation, distribution, and spending of funds necessary for the provision of public services to the populations of the state bodies.

"The state budget appeared at a certain stage of the development of human society, and its creation is directly related to the creation of the state as a political organization. The main characteristics of production relations, which belong to the social system of each period, determine the content of state activity and the budget as a distribution mechanism"².

There are specific aspects of deepening reforms and improving the management mechanism of all links of the budget system in the development of a free civil society in the country. Firstly, to ensure sufficient income for timely and necessary financing of social sector and economic expenses, secondly, to develop the sectors directly related to the satisfaction of the first-level needs of the population, thirdly, to encourage entrepreneurial activity and improve the investment attractiveness of the regions by improving the infrastructure. should be created.

International practice shows that determining the need for financial resources of the regions is a very complicated process, and a scientifically acceptable solution to this issue has not yet been found. In modern conditions, in the conditions of improving inter-budgetary relations, proportional distribution of taxes between the branches of the budget system, increasing the level of funding of local budgets of regions, achieving the formation of an additional source of income of local budgets through the optimal use of the increased part of tax revenues collected in regions, ensuring the stability of tax revenues of local budgets, local budgets researches are being conducted within the direction of increasing financial independence.

Comprehensive development of regions on the basis of radical strengthening and decentralization of the income base of local budgets, strengthening of the financial freedom of local state authorities, supporting the wide development of small and medium-sized businesses and entrepreneurship in the regions, creating new jobs and ensuring employment of the population, and expanding the tax potential due to the rapid development of social infrastructure is relevant today³.

The low possibility of effectively ensuring the expenses of the local budgets at the expense of the revenues of the local budgets, in particular, the fact that the local budgets of many regions cannot fully finance their expenses at the expense of their revenues and the need for various financial funds from the higher budget, increasing the incomes of the local budgets of these regions, and ensuring their economic development on this basis, is gaining urgent importance.

¹ Пивень Е.В., Бедрачук И.А. "Государственное и муниципальное управление". Учеб. пособие/ Владивосток: Изд-во ВГУЭС, 2008. стр -58.

² Маликов Т.С, Хайдаров Н.Х. Давлат бюджети. ўқув қўлланма.-.: "IQTISOD-MOLIYA", 2007.84-бет.

³ Мейлиев О.Р. Налоговые факторы экономического развития регионов // Экономика и бизнес: теория и практика. 2017. №5. URL: <https://cyberleninka.ru/article/n/nalogovye-factory-ekonomicheskogo-razvitiya-regionov>.



“At the level of local budgets, the priority tasks of the tax-budget policy are to fundamentally strengthen the revenue base of local budgets by attaching specific types of taxes and other mandatory payments to them, removing regional, city, and district budgets from subsidies, gradually reducing their dependence on high-level budget allocations, and, on the basis of this, increasing the freedom and responsibility of local state authorities in solving the issues of socio-economic development of the regions; and to determine additional reserves on a systematic basis to increase the income of local budgets”⁴.

The effective local implementation of state policy depends on the economic and financial capabilities of local government bodies. In our view, the practice of generating revenues for local budgets under the current conditions is not enough to ensure their complete financial independence, nor is the activity of local state authorities in increasing revenues for the local budget⁵.

It is important to increase the income of local budgets, to further increase the financial independence and responsibility of local authorities in the application of measures to ensure the sustainable development of regions, and to develop proposals on this basis.

Oates discusses why some public services are provided by local authorities rather than regional or national governments and outlines the advantages and disadvantages of providing public services at the local level.

1. Diversity of demand the local government system allows local residents to choose different levels of spending on public goods (parks, public safety, education, and libraries). As local authorities, for example, are able to meet different demands for public goods, they in turn contribute to increased efficiency.
2. External influences. If the settlement is small and unable to limit the number of beneficiaries of its spending program, externalities (an increase in benefits) will occur. When there is a system of local authorities, voters tend to ignore the benefits of non-residents, thus making inefficient decisions.
3. Scope effect. If economies of scale occur when public goods are provided, production costs in the system of local authorities will be relatively high⁶.

The revenues of local budgets and the procedure for their formation have always been considered relevant research topics.

In particular, according to A. Islamkulov, "local budget income is considered the result of the distribution of the value of the gross domestic product among the participants in the production process, on the one hand, and on the other hand, it is a value that serves to form a local monetary fund"⁷.

⁴ Decree of the President of the Republic of Uzbekistan dated December 13, 2017 No. PF-5283 "On additional measures to increase the financial freedom of local state authorities and to strengthen the responsibility of tax and financial authorities to ensure the completeness of revenues to local budgets". www.lex.uz.

⁵ Мейлиев О.Р. Маҳаллий бюджет даромадларини шакллантиришда солиқларнинг аҳамиятини ошириш //Молия ва банк иши илмий электрон журнали.–Т.: БМА. – 2020. – №. 3. – С. 297-306.

⁶ Oates, W.E. Fiscal Federalism. Harcourt Brace Jovanovich, Inc., 1972. 256 p.

⁷ Исламкулов А.Х. Маҳаллий бюджетлар даромадлари барқарорлигини таъминлаш масалалари. "Иқтисодий ва инновацион технологиялар" илмий электрон журнали. 2016 й, № 4.



Current financial aspects of ensuring the financial stability of local budgets and increasing the income of local budgets have been studied in the opinions and comments expressed by the above economists. Also shown are the factors affecting the stability of local budgets' incomes and the possibilities of forming the financial mechanism for ensuring the rational use of the economic potential of the local government bodies.

Table 1 Stages of formation of local budget revenues in our country⁸

Stages	Years	Explanation
1-stage	1991-1993	Revenues are formed on the basis of the Law "On Taxes from Enterprises, Associations and Organizations".
2-stage	1993-1997	Revenues of local budgets are formed on the basis of the laws "On local state power" and "On local taxes and levies".
3-stage	1997-2017	Based on the Tax Code of the Republic of Uzbekistan, local taxes and fees are attached to local budgets.
4-stage	2017-2020	Ensuring the financial independence of local budgets, increasing the tax-budgetary powers of local authorities, and expanding the revenue base of local budgets.
5-stage	2020- etc.	Based on the law "On the State Budget of the Republic of Uzbekistan", the income of local budgets is formed for each year.

Sources of income for local budgets, provision of proportionality of income to expenses, and measures developed on the basis of regulatory legal documents on achieving financial independence of local budgets were divided into these stages.

In order to ensure the stability of local budget revenues, first of all, the mechanism of formation and regulation of local budget revenues, the analysis of the procedure and state of regulation of local budget revenues, the implementation of comprehensive measures to increase the economic and financial potential of the country's regions, and the rational use of tax potential are of great importance.

If we analyze the process of formation of the incomes of local budgets and the dynamics of changes in recent years, we can see that these incomes have regularly changed in the analyzed years (Table 2).

Table 2 Dynamics of local budget revenue changes, billion.in soums⁹

T/p	Regions	2015 y	2016 y	2017 y	2018 y	2019 y	2020 y	2021 y
1.	Republic of Karakalpakstan	716,7	949,5	1292,2	2241,1	2953,3	2743,9	1869,2
2.	Andijan region	928,3	1051,1	1264,8	1709,0	2624,6	2105,9	2418,5
3.	Bukhara region	1098,6	1194,8	1335,6	1383,0	2409,5	1782,9	2374,1
4.	Jizzakh region	396,2	478,6	715,4	948,3	1240,9	1058,0	1460,4

⁸ Compiled by the author, based on research

⁹ It was prepared by the author based on the information of the Ministry of Finance of the Republic of Uzbekistan and the "Open Budget" portal of the Republic of Uzbekistan.

5.	Kashkadarya region	1587,7	1765,0	1786,6	2341,1	3783,9	2468,8	2722,1
6.	Navoi region	655,6	776,3	745,3	1217,1	1877,8	1540,9	1948,9
7.	Namangan region	753,7	843,0	1032,1	1360,0	2237,8	1763,0	2297,0
8.	Samarkand region	1082,4	1304,6	1557,3	1970,8	2567,2	2385,6	3154,7
9.	Surkhandarya region	720,0	823,3	1030,3	1378,3	1844,9	1605,7	1993,2
10.	Sirdarya region	377,2	460,9	568,5	710,2	816,7	716,5	881,6
11.	Tashkent region	1632,3	1817,7	1775,0	1949,3	3721,5	2395,5	3734,1
12.	Ferghana region	1681,1	1780,1	2110,9	1833,2	3836,1	2677,3	3665,1
13.	Kharazm region	683,9	731,5	881,4	1106,3	1467,3	1302,7	1743,1
14.	Tashkent city	2151,0	2326,2	2440,9	2796,4	3752,8	3156,3	4911,4
Total		14464,7	16302,6	18536,3	22944,3	35134,2	27702,9	35173,4

From the data in the table, we can see that in the analyzed years, the incomes of the local budgets of the regions had a tendency to increase.

In 2015, the implementation of local budget revenues amounted to 14,464.7 billion soums; in 2016, it was 16,302.6 billion soums; and in 2017, it was 18,536.3 billion soums. By 2018, the actual revenue of local budgets amounted to 22944.3 billion soums, and the plan indicators were fulfilled by 124.3%. As a result of changes made to the approved forecast indicators for 2018 during the year, i.e., in the I–IV quarters, the annual forecast revenues were reduced by 308.3 billion soums in 3 regions and increased by the same amount in 4 regions, i.e., redistributed by regions. In particular, the annual forecast indicators of income were reduced to 170.3 billion soums in the Bukhara region, 95.0 billion soums in Tashkent, and 43.0 billion soums in the Republic of Karakalpakstan. It was also increased by 68.0 billion soums in the Tashkent region, 37.1 billion soums in the Surkhandarya region, 24.4 billion soums in the Namangan region, 17.0 billion soums in the Jizzakh region, and 161.8 billion soums on receipts controlled by the State Tax Committee. By 2019, the implementation of local budget revenues amounted to 35,134.2 billion soums, and the plan indicators were fulfilled by 117.7%. In the period from January 1 to September 30, 2022, the amount of tax revenues in the republic increased by 17.3 percent compared to the same period last year.

In particular, in Ferghana (39.5 percent), Samarkand (35.4 percent), Syrdarya (33.2 percent), Khorezm (32.7 percent), Bukhara (32.2 percent), the Republic of Karakalpakstan (33.4 percent), and Tashkent (42.2 percent), a significant increase in tax revenues was noted. A number of growth factors influenced the increase in tax revenues during this period.

Due to the expansion of the introduction of the electronic account system and the online cash register system, as well as the introduction of the procedure for returning 1% of the purchase price to the population as a cashback, a 32% increase in value-added tax revenues and a 49% increase in turnover tax were achieved. The increase in economic activity and profitability led to a 38 percent increase in income from corporate income tax.

During the analyzed period, 70,563 new economic entities were established, and most of them were registered in Samarkand (8,398), Kashkadarya (6,812), Fergana (6,720), Tashkent (5,212), Khorezm (4,567), and Tashkent city (11,700).

Paragraph 34, D-subparagraph, of the Decision of the President of the Republic of Uzbekistan No. PQ-4086 dated December 26, 2018, authorizes the redistribution of the missing amount of expenses to the Councils of People's Deputies of the Republic of Karakalpakstan, the regions,



and the Councils of People's Deputies of the Republic of Karakalpakstan, and the surplus income formed in the planning of the budgets of individual districts and cities between the budget levels authorized. As a result, in 2019, in accordance with the decisions of regional councils of people's deputies and local authorities, 60.0 billion soums were allocated in the Navoi region, 26.0 billion soums in the Samarkand region, 42.8 billion soums in the Surkhandarya region, 60.0 billion soums in the Tashkent region, and 73.0 billion soums in Tashkent city. Revenues and expenses in local budgets increased by 9 billion soums. In 2020, the revenues of local budgets actually amounted to 27,702.9 billion soums, and in 2021, they amounted to 35,173.4 billion soums.

Revenues from local budgets are the main source of financial support for local government bodies. Local self-governing bodies are tasked with increasing the revenues of local budgets and spending them economically.

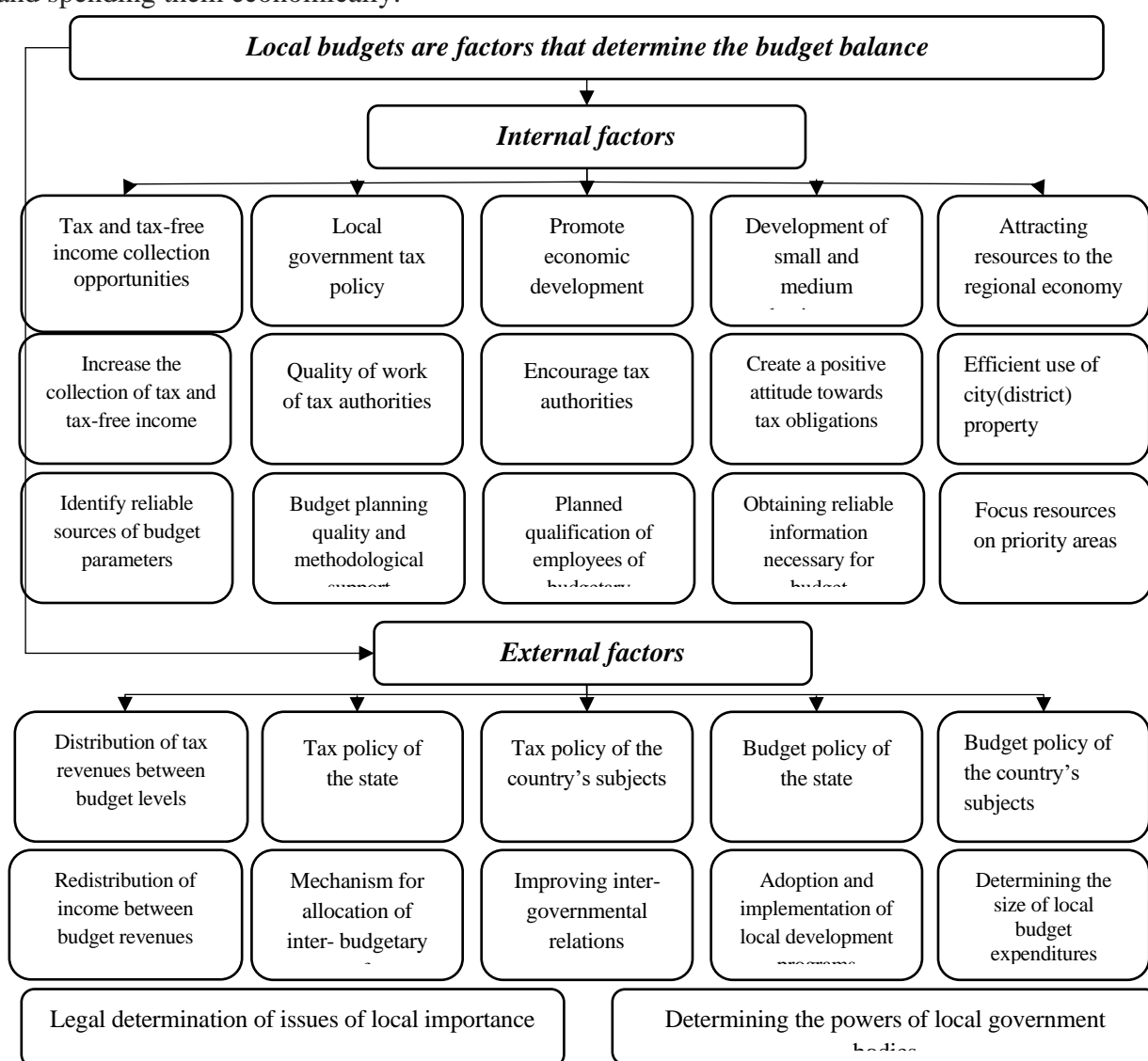


Fig 1. System of factors determining the budget balance of local budgets¹⁰

¹⁰ Compiled by the author, based on research



Nowadays, the following are significant variables influencing how balanced local government budgets are:

- the consolidation of obligations for expenditures that are not covered by revenues,
- the poor management and application of tax-budget strategy,
- it is possible to mention the lack of focus on boosting the tax potential of districts.

Although taxes and fees allocated to local budgets are a significant source of revenue for regional budgets, the majority of them are created through tax deductions divided among the budgets of the budget system. The local budget's subordination to the higher budget demonstrates that the taxes and fees set aside for local budgets are insufficient to cover costs and, more crucially, restricts the tax-budgetary rights of local authorities.

In our opinion, there are currently a number of problems in achieving the regulation and stability of local budget revenues and their management by local authorities. For example, the main part of local budget revenues is formed through inter-budget regulation channels on the basis of the norms of deductions from republican taxes, the norms of which are revised every year. But these norms change every year and are unstable. This instability leads to huge differences in per capita budget revenues among regions, depending on the way taxes are distributed in practice. In our opinion, the current procedure of allocating transfers from the higher budget does not encourage the donor regions to increase their tax capacity and does not arouse the interest of the subsidy recipients to increase their income and taxes.

Another issue is that today's process of inter-budget regulation ensures the formation of the majority of revenues for local budgets. The large amount of these revenues (that is, taxes and financial assistance) affects the lack of responsibility of the local authorities, and in our opinion, this situation is not compatible with today's economic liberalization policy.

It is known that the financial stability of economic entities ensures the continuity of state budget revenues. For this reason, it is appropriate to form a reasonable mechanism between the activities of economic entities and the state that should reflect the interests of the state budget and the interests of economic entities. First of all, this can be achieved only by keeping the tax burden and other means of influence on the activities of economic entities at a moderate level. In the conditions of a market economy, the need for a certain level of state intervention in the economy does not always allow for these standards to be followed.

There are sectors of the economy where investing in these sectors does not bring enough benefits to the investors. In such cases, the state budget—or its finances, more precisely— influences through taxes, i.e., lowers the level of taxation or finances these sectors, gives subsidies, invests, etc., and the need arises for the state to intervene in the economy and regulate it. In this case, the state tries to influence demand or supply, foreign trade turnover, inflation, consumption, and divert investments in the necessary direction through means of management.

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