

**DIRECTIONS FOR OPTIMIZING LOCAL BUDGETS IN THE SUSTAINABLE DEVELOPMENT OF REGIONS**

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E-mail: [abdurahmon206@icloud.com](mailto:abdurahmon206@icloud.com)**Abstract**

This article consists of developing a scientific proposal and practical recommendations aimed at improving the medium-term planning of local budgets for the purpose of social and infrastructural development of the regions. Also, as a result of today's analysis of the local budget revenues of Uzbekistan, scientific proposals and recommendations have been formed to further increase them, reduce budget risks and optimize costs.

**Keywords:** budget, budget classification, local budget, state budget, budget risk, budget deficit, budget surplus, expenditure, income, budget planning.

**Introduction**

In Uzbekistan, special attention is paid to the financing of local budgets, including medium-term planning, in order to ensure socio-economic development, increase the well-being of the population, and ensure the mutual development of regions. "Further strengthening of macroeconomic stability and maintaining high rates of economic growth, including ensuring that the State budget is balanced at all levels, the national currency and the price level in the domestic market are stable - the most important priority task [1]". In the implementation of this task, in order to ensure the financial stability of the state, full transition to the medium-term tax-budgetary policy, introduction of the "top-down" budgeting approach, strengthening of macro-fiscal control, increasing the responsibility and accountability of allocators of budget funds, it is urgent to implement reforms such as switching to the system of evaluating the effectiveness of budget funds, using fiscal risk assessment modules [2]. Also, improving the legal basis of the medium-term budget, coordinating budget requests for the next year in mid-term budget planning by developing them in accordance with the new budget calendar, "result-oriented budget" of the tax-budget policy. It is important to ensure compliance with the strategic approach of the system, to carry out scientific research aimed at clarifying the powers of the participants of the budget process by approving the limit amounts of budget funds allocated from local budgets.

Regarding the prospects of increasing local budget revenues in the sustainable development of regions, the decision of the Cabinet of Ministers dated August 24, 2020 No. 506 "On approval of the strategy for improving the public finance management system of the Republic of Uzbekistan in 2020-2024 [3]" and other regulations related to this field. This



research work serves to a certain extent the implementation of tasks defined in legal documents.

### **Literature Review**

Theoretical and practical aspects of the budget system and inter-budgetary relations, ensuring financial stability of local budgets, formation of their income, strengthening of tax revenue bases have been researched by foreign and domestic economists.

K. McConnell and S. Brew have shown in their work that taxes appear as a part of fiscal policy. At the same time, they tried to prove that the fiscal policy is either a hindering or stimulating policy, based on the tasks to be solved in ensuring stability in the economy. They wrote in their "Economics" that "The main goal of fiscal policy is to end unemployment and inflation. In particular, local scientists, the research work of J. Esmurzaev on the improvement of the mechanism of collection of local taxes and fees in the conditions of economic liberalization [4], the research work of A. Mamanazarov on the issues of increasing the role of taxes in the stabilization of local budgets [5], the research work of Kh. Qabulov on regional economy and local is devoted to directions of increasing the possibilities of budgets [6]. Also, in the research work of A. Khairiddinov, the ways of ensuring the stability of the income bases of local budgets are justified [7]. In the scientific work of U. Orovov, ways to improve the independence of local budgets were studied [8].

It should be noted that the assessment of the possibilities of local budgets directly requires determining the essence of this concept. Economists I. Zaripova and V. Khafizova in their research interpreted the concept of "territorial financial opportunity" and "local financial opportunity" on the one hand, and the concepts of "financial resources" and "financial opportunities" on the other hand, in the same sense [9].

A. Semenov focused only on the tax activities of the regions in inter-budget relations, and other sources of their opportunities were left out of their analysis [10].

A number of Russian economists have shown that tax policy is one of the types of independent policy that is independent of fiscal policy based on its fiscal goals in strengthening the revenue bases of regions [11].

Also, T.S. Malikov, one of the economists of our country, conducted a study of fiscal policy in the interpretation of "budget-tax policy", and its content is related to "on the one hand, the (reasonable) formation of budget revenues, and on the other hand, the (effective) spending of budget expenses [12]".

### **3. Research Methodology**

Analytical tables, infographics, t-scheme, and local budget indicators of foreign countries are presented as research methods, and these methods serve to explain the topic in a more comprehensible manner.

### **4. Analysis and Discussion of Results**

This issue is primarily related to the stability and strength of their income bases, including tax income bases. In turn, local budgets are responsible for ensuring the stability of tax



revenue bases, firstly, for socio-economic development of the country's regions and for ensuring the interests of the residents of the respective regions, for further improving their lives, for increasing the standard of living and wellbeing, and secondly, for natural raw materials in the region, allows for rational use of production and labor potential and expansion of powers of local state authorities. Ensuring the effectiveness of economic and social reforms aimed at achieving such an opportunity is also directly dependent on their financial foundation. In most developed and developing countries, revenues of local budgets occupy a significant share of state budget revenues. In particular, this indicator is 30% in Japan, 33% in Great Britain, 34% in Austria, 38% in France, 39% in Portugal, 58% in Norway, 60% in Luxembourg [13].

The local budget is based on the medium-term plan, the political processes in the country, the changes that occur in the country as a result of them and their impact on the budget process, budget income and expenses and the factors affecting them, different models according to the level of development of the countries should be developed based on Medium-term budget planning determines the sources of budget revenues for the next financial year, the size and direction of state expenditures, the size of the budget deficit, the amount and sources of external and internal debt funds to cover it, the amount of state debt and the level of inflation.

Table 1 Advantages of medium-term planning methods of local budgets and disadvantages [14]

Method	Advantages	Disadvantages
<b>A method of financial forecasting</b>	It allows to reduce the risk of uncertainty and necessary preliminary provides information	The most important (external and internal) due to different conditions (economic, social, etc.) can lose factors
<b>Financial analysis method</b>	Financial status of medium-term planning of local budgets provides a large amount of information about	It is not always possible to obtain reliable data for analysis complicates calculations
<b>Method of strategic financial planning</b>	To draw up the plan of expenses of local budgets for the future period allows	There is a possibility of sudden changes in internal factors due to external influence
<b>Modeling method</b>	Development of a model of the local budget for the medium-term period	It is possible to assess the financial stability of local budgets that it is not
<b>Export method</b>	The ability to look at the situation more broadly to see a potential solution is more complete than the stated problem get information	The possibility of subjective opinion
<b>How to create a script</b>	Budget for the uncertainty that characterizes any market situation draws attention	Only a few expected project results are taken into account

The economic nature of risk at the stages of the budget process is manifested as a result of the formation of revenues and the implementation of budget expenditures. Budget risk is inherent in the budget process, but at the same time, the parameters of centralized funds of funds largely depend on the management decisions made and the current economic situation. To determine the reasons for the manifestation of budgetary risks, it is necessary to determine the main sources of their occurrence (Figure 1).

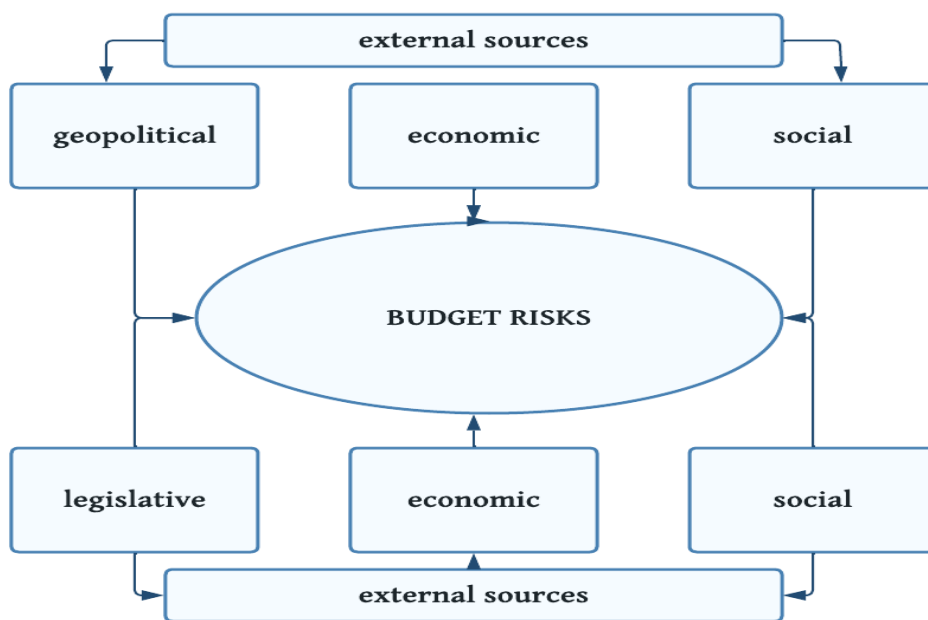


Figure 1. Classification of sources of occurrence budget risks [15]

The internal sources are the budget system itself, including the features of regulatory regulation, the degree of budget involvement in the economic turnover, the procedure for redistributing financial resources, and the social activity of the population. Random sources arise completely arbitrarily and depend to a very small extent on the will of decision makers. These, for example, include natural disasters that are not directly related to human activity.



Figure 2. Dynamics of revenues, expenses and transfers of local budgets in the 2nd quarter of 2023 (in billion soums) [16]



According to the author, medium-term planning of local budgets is a budgetary practice based on an institutionally unified system that determines the main tasks of the state budget for the medium-term period [17].

In order to strengthen budget discipline, one of the main conditions for effective and rational use of budget expenditures is strict compliance with the norms of cost control in the austerity regime. For this, it is necessary to gradually reduce other expenses, except for the funds financed from the budget for social, socio-cultural activities, and to put an end to the practice of accepting the expenses incurred in excess of the norm as receivables and payables in the budget reports. Taking into account the material and technical base of the institutions that receive funds from the budget, in order to ensure that the statement of payments made from the personal accounts of the recipients of funds from the budget are reflected in the reports in due time, after the relevant operations of these documents have been carried out it would be appropriate to send the information directly to the budget institution electronically in the treasury and on this basis to achieve timely and high-quality preparation of reports by the budget institutions. In order to ensure operational control over the formation of the state budget and the use of its funds, it is necessary to create integrated information systems within the budget system management bodies within the framework of relations related to their activities [18].

Funds centralized through these budgets are distributed among certain sections of the population. From the local budgets, the branches of the production sector are financed, first of all, the food and local industry, public utilities and services to the population necessary for the livelihood of the population. The financial activities performed by the government and administration, central and local agencies of the Republic of Uzbekistan are carried out in different ways in accordance with the goals and tasks set before them and the powers given to them. Local authorities, governors, councils of people's deputies carry out local financial activities within their powers. The financial activity of local state authorities is to issue decisions and orders in the field of financial issues, to approve and ensure the implementation of relevant budgets, to control and coordinate the financial activities of state agencies, enterprises, organizations in their territory, the relevant administrative-territorial unit social and economic activities that ensure development are implemented in the form of development, their financing, implementation of monetary policy. All state agencies that carry out financial activities, regardless of the level and scope of their powers, work to increase the country's economic and financial power, ensure economic stability and development, and strengthen local finances [19].

### **5. Conclusions and Suggestions**

Based on the ideas covered in this article, it can be said that the implementation of the result-oriented medium-term budgeting mechanism at the scale of local budgets will allow us to solve many of the above-mentioned problems existing in the current budgeting system. In general, the introduction of medium-term planning of the state budget brings us a number of advantages, and we have studied this by studying the practice of organizing result-oriented budgeting and externalizing the medium-term planning of the state budget in the



regions [20].

1. Medium-term planning of local budgets is a way to compare the state budget plan with the calculation of financial resources distributed through the budget for several years, the calculation of the value of current and prospective new state strategic projects, as well as the connection of expenditure obligations with the intended results. determines the practice of the directed state budget.
2. In the development of the medium-term planning methodology of the local budget, it is desirable to form a single methodology that serves national interests by studying the experiences and recommendations developed by international financial institutions, regional scientific research institutions and local centers.
3. In the formation of local budgets in the medium and long-term period, taking into account the scientific proposals and recommendations presented by scientific research institutions and innovation centers, as well as the proposals put forward by the public initiative, modeling (simulator) embodying future perspectives and their financial requirements) should be shown. It is necessary to use the methods of mathematical modeling and econometric analysis, to include the obtained results in the discussion of at least two or three groups of experts.
4. Adapting each reform to the practical process and achieving the expected result is focused, first of all, on the correct distribution of the time factor. Therefore, the full implementation of the practice of medium-term planning of local budgets leads to the change of the initial budget period (budget calendar).

The experience of the organization of local finance in developed countries shows that the delivery of social benefits created to the population (education, health care, science, social protection, etc.) is mainly delivered through local budgets. The scientific proposals and recommendations presented above serve to increase local budget revenues.

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