DIRECTIONS FOR IMPROVING THE SYSTEM OF INTERBUDGETARY RELATIONS

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Abstract: *This article provides a comprehensive analysis of the current state of the system of interbudgetary relations based on the indicators of the state budget of the Republic of Uzbekistan for 2024. In particular, the directions of strengthening regional fiscal stability through increasing the efficiency of financial relations between the central and local budgets, fair distribution of financial resources, and reducing economic imbalances between regions are substantiated.*

Keywords: *interbudgetary relations, fiscal policy, financial stability, transfers, local budgets, fiscal federalism.*

INTRODUCTION

The system of interbudgetary relations, which is a component of the state budget system in the Republic of Uzbekistan, has been undergoing fundamental reforms in recent years. The sustainable development of the country's economy, the elimination of economic disparities between regions, and the provision of social justice depend on an effective budget policy and the correct establishment of central-local financial relations.

It is of urgent importance to study the current state of interbudgetary relations based on the adopted state budget for 2024 and financial parameters. The main task of this system is to ensure the optimal and fair distribution of financial resources between regions, strengthen the fiscal independence of local authorities, and increase their responsibility.

Theoretical foundations of intergovernmental relations

The theory of intergovernmental relations is based on the concept of fiscal federalism. According to this concept, powers and financial resources should be distributed appropriately between different levels of government. This, in turn, ensures fiscal efficiency, fairness, and territorial balance.

- The main principles of fiscal federalism are:
- Proportional distribution of financial resources and powers;
- Financial independence of local authorities;
- Control and coordination by the central government;
- Ensuring fiscal equality through transfer mechanisms.

Proportional distribution of financial resources and powers – Powers and resources should be distributed in a balanced manner between different levels of government. This ensures that each level of government has sufficient financial means to perform its functions.

Financial independence of local authorities – Local governments should be independent in forming their own budgets, planning expenditures and making financial decisions. This increases their responsibility and strengthens their accountability to the population.

Control and coordination by the central government – In order to ensure financial discipline, maintain macroeconomic stability and implement the general state strategy, the central government retains the function of control and coordination.

Ensuring fiscal equality through transfer mechanisms – Economic disparities between regions are reduced by providing financial assistance from the state budget to regions with a low level of development in the form of subsidies, subventions or grants. This serves to ensure social justice and fiscal stability.

Formation and development of inter-budgetary relations in Uzbekistan

After Uzbekistan gained independence, the budget system was based on a centralized model. Initially, all financial resources were formed at the central level and then distributed to the regions through transfers. However, this model led to a lack of regional financial independence and inefficient use of resources.

- As a result of the reforms implemented by the government in recent years:
- The sources of revenue for local budgets have been expanded;
- The practice of leaving part of tax revenues in the localities has been introduced;
- Transparency has been increased through digital budget systems;
- The transfer mechanism has been revised.

Sources of revenue for local budgets have been expanded – The government of Uzbekistan has reformed its tax policy in order to increase local revenues. While leaving part of the tax revenues in the regions, additional financial resources have been provided to local authorities. This serves to strengthen local budgets and promote regional development.

The practice of leaving part of the tax revenues in the regions has been introduced – Another important factor in increasing local revenues is leaving part of the tax revenues at the local level. Through this practice, regions have the opportunity to further strengthen their economic resources, develop local services and infrastructure.

Transparency has been increased through digital budget systems – The government of Uzbekistan has introduced digital budget systems to increase the

transparency of the state budget. These systems have made it possible to monitor state expenditures, as well as to make it transparent to the population how budget funds are spent. Digital systems are ensuring reliability and efficiency in budget management.

The transfer mechanism has been revised – The transfer mechanism within the state budget for 2024 has been revised. A system of needs-based transfers was introduced, ensuring a fair and efficient distribution of financial assistance. This change is aimed at reducing economic disparities between regions and increasing regional stability.

Analysis of the current system based on the 2024 budget

During the first half of 2024, extensive work was carried out to increase the independence of local government bodies in managing local budget funds, deepen the processes of reducing the dependence of budget execution on the center, provide guaranteed sources of financing for socio-economic development programs of regions, and increase the responsibility and accountability of local khokimiyats in the formation of local budgets and the effective use of funds.

Main indicators of local budgets in the first half of the year



In the first half of 2024, the revenue part of local budgets was implemented by 104.6% of the forecast, or 27,380.1 billion soums, and the expenditure part was implemented by 91.9% of the plan, amounting to 39,652.1 billion soums. Although local budgets have increased their own revenues, most of them still rely on transfers from the central budget. In particular, economically underdeveloped regions cannot financially support themselves.

Problems and shortcomings in practice

The 2024 analysis shows that the following problems still exist in the system of intergovernmental relations:

- High centralization: A large part of the tax base is concentrated in the center;
- Transfers are distributed unfairly: They are often based on political factors, not on needs;

- Low financial responsibility at the local level: Low efficiency in planning and spending resources;

- Capacity differences between regions: Some regions are donors, while others are permanent recipients of subsidies.

Directions for improvement and recommendations

The following measures are recommended to improve the system:

1. Increasing local revenues:
- Transferring tax powers to local authorities;
- Identifying and attracting new financial sources.
2. Reforming the transfer system:
- Allocation of transfers based on a mathematical model based on needs;
- Introducing incentive transfers (performance-based grants).
3. Fiscal discipline and monitoring:
- Online monitoring systems;
- Open databases and public oversight.
4. Increasing human resources capacity:
- Training qualified specialists in financial departments;
- Training on local budgeting.

Conclusion

The system of intergovernmental relations is one of the key elements of Uzbekistan's economic development. The analysis of the 2024 budget shows that there are positive changes in the system, but structural problems still remain relevant. Therefore, in order to ensure regional economic stability and social justice, deep and systemic reforms in fiscal policy are necessary.

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