

PUBLIC FINANCIAL MANAGEMENT: PERFORMANCE ASSESSMENT

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Annotation: Currently, Uzbekistan is the only Central Asian state that has assessed the effectiveness of public financial management and their compliance with seven performance criteria (budget sustainability; transparency of public finances; asset and liability management; fiscal strategy and policy-based budgeting; predictability and control over budget execution; accounting and reporting; external control and audit) according to the PEFA methodology.

In 2018, the IMF Mission conducted a second assessment of fiscal transparency, following which international experts noted achievements in terms of budget reliability, availability of more than 58% of basic and supporting information, effective debt management and the budget preparation process. According to the IMF assessment of fiscal transparency, the public financial management system in Uzbekistan met basic and higher standards for 16 out of 36 principles.

Currently, work in this direction continues. Thus, the President of the country has set the task of preparing Uzbekistan for participation in the budget openness rating (the budget openness index reflects the timeliness and completeness of publicly available budget information and is calculated based on 95 quantitative questions). Openness of the budget will allow: to involve citizens of the country in the management of budgetary funds, on the one hand, taxpayers, on the other hand, recipients of public services (free education for citizens, healthcare, social protection, etc.), financed from the budget; increase the efficiency of control over budget funds with the participation of citizens; achieve greater success in the fight against corruption, as well as more efficient functioning of the budget at all stages of the budget process.

Uzbekistan has done a lot of work to ensure openness of budget data and attract citizens to participate in the budget process. Until 2005, information on the state budget in resolutions of the Cabinet of Ministers, from 2006 to 2019 inclusive in the resolutions of the President “On the forecast of main macroeconomic indicators and parameters of the state budget of the Republic of Uzbekistan” for each financial year was published on the website of the National Database of Legislation of the Republic of Uzbekistan (lex.uz) in extracts containing information exclusively on tax rates.

Since 2020, information on the state budget is published in the Law of the Republic of Uzbekistan “On the State Budget of the Republic of Uzbekistan” and the Resolution of the President of the Republic of Uzbekistan “On measures to ensure the implementation of the Law of the Republic of Uzbekistan “On the State Budget of the Republic of Uzbekistan”” for the corresponding financial year. In the context of the transition to an open society and the democratization of management decisions, it is important to increase citizens’ awareness of the processes taking place in the fiscal sphere and the main fiscal risks - by increasing the financial transparency of the budget process at all its stages, which will increase the level of involvement in the process of managing public funds by a wider range of participants, including the population. To ensure these measures, the Ministry of Finance is consistently increasing the amount of budget information that must be disclosed to the public. In particular, a procedure has been introduced for quarterly posting on their official websites by managers of first-level budget funds, state trust funds and the Fund for Reconstruction and Development of the Republic of Uzbekistan information on the distribution and expenditure of budget funds, and by the Council of Ministers of the

Republic of Karakalpakstan, khokimiyats (the executive office of the head of the local administration) regions and the city of Tashkent, districts and cities - information on purchased goods and services, facilities where construction, reconstruction and repair work is carried out at the expense of additional sources of funds from their budgets, as well as information on the financing of construction and repair work¹⁵.

Since 2018, a “Budget for Citizens” has been compiled and published annually, containing information about the draft state budget, the approved budget and the results of its implementation at the end of the financial year. In 2019, the first “Budget for Citizens” was prepared and published, containing information about the budget of the largest region of Uzbekistan - Tashkent, which has the largest budget in terms of income and expenses (3169.0 billion soums) among the 12 regions of the country. It makes up more than a third of the country’s state budget (in 2019, Uzbekistan’s state budget revenues amounted to 112,165 billion soums, expenses - 118,008.7 billion soums). In 2020, the draft “Budget for Citizens” of the city of Tashkent was published, and in 2022, the “Budget for Citizens” with information on the Namangan region.

Performed analysis show that almost two-thirds of the consolidated budget of Uzbekistan (65%) falls on the state budget, which includes the republican budget of the Republic of Uzbekistan (46%), the budget of the Republic of Karakalpakstan and local budgets (19%). Government trust funds account for just over 29% of the consolidated budget.

In order to ensure the implementation of projects for modernization and technical re-equipment of basic sectors of the economy, achieving dynamic, sustainable and balanced socio-economic development of the country, as well as the implementation of effective structural and investment policies in Uzbekistan, the Reconstruction and Investment Fund was created in 2006 under the Cabinet of Ministers of the Republic of Uzbekistan development, the income and expenses of which are included in the consolidated budget of the country. Thus, the volume of the consolidated budget of Uzbekistan is about a third of the country’s GDP.

Improving financial control, strengthening public control over the budget process In the sphere of functioning of public finances, there are problems associated with shortcomings in the organization of state financial control and its implementation. Thus, the organizational structure and status of state financial control bodies does not cover all aspects of the mobilization and use of public finances and assets - a huge part of them, transferred to the disposal of state economic entities (unitary enterprises and corporations), is outside the control zone of state financial control bodies, outside the field the view of the state and the public; The volume of financial errors, shortages, and additions identified in budgetary organizations is increasing; until 2019, there was no public coverage of the results of the work of government bodies and structures (analytical materials of the Accounts Chamber were not published, ministries and departments did not report on the results of their activities, there was no information on the effectiveness of the work of the Central Bank in carrying out monetary and exchange rate policies, the state of assets and obligations of the country, management of gold and foreign exchange reserves); State financial control bodies in their activities were more focused on solving operational tasks of a current nature assigned from above.

In order to increase the efficiency of the functioning of public finances in the field of state financial control, measures are being implemented aimed at increasing transparency and strengthening public control over the budget process, improving the mechanism of budget financing, accounting and reporting in budgetary institutions, increasing the responsibility of ministries and departments for strengthening budget discipline in their subordinates. institutions. A radical revision of the role of state financial control is being carried out in the direction of preventing and preventing violations of budget legislation. Modern information technologies and internationally recognized financial control standards are being introduced in the country. In particular, internal audit services have been created at

the republican and territorial levels, and the State Financial Control Inspectorate is being formed in the Ministry of Finance with the following departments:

- 1) on working with internal audit services - for the development of national internal audit standards, other methodological and regulatory legal acts; organizing work to improve the qualifications and certification of employees of the inspection and internal audit services; preparation and publication of reports on the activities of internal audit services;
- 2) to carry out control measurements at construction sites - to establish control over the compliance of control measurements and costs incurred with the volume of work actually performed at construction sites, carried out at the expense of the budgets of the budget system;
- 3) compliance control - to prevent abuse of power and other manifestations of corruption in the system of state financial control.

Since 2022, work has been underway in Uzbekistan to prepare the “Electronic Controller-Inspector” software package, which automates monitoring. The first stage of work has been completed; to analyze the risks of violation of budget legislation, a financial control database is being formed based on the exchange of information with ministries and departments in real time. The second stage involves the completion of work and the launch of a thematic control module this year - monitoring the activities of an object of state financial control on certain issues for a certain period.

As noted above, since 2018, work has begun in Uzbekistan to involve citizens in the budget process and the implementation of budget policy in terms of expanding their powers in making decisions on the distribution of part of budget funds. To ensure the participation of citizens in the process of distributing budget funds and directing them to finance activities formed on the basis of public opinion, the “Open Budget” information portal was launched in 2019. In order to increase the interest and activity of citizens in the budget process, starting from 2021, the state has increased the share of funds to be distributed based on public opinion.

Thus, according to the results of the recently completed campaign to receive proposals from citizens on the distribution of budget funds within the framework of initiative budgeting, 69,700 proposals were registered from 216,312 citizens of the country, which is 0.9% of the population aged 15 years and older (as of March 2022 citizens aged 15 years and older make up 73.5% of the population of Uzbekistan, or 25,231,799 people).

The reasons for this situation are that a significant part of the population lives in areas remote from the capital and regional centers, where there are systematic interruptions in the Internet; low level of computer literacy, lack of basic budget literacy among the population; lack of awareness of the practice and procedure for citizen participation in the distribution of budget funds with their allocation to finance activities formed on the basis of public opinion; low motivation of local authorities in organizing a system of training citizens in the basics of financial and budget literacy locally, etc.

At the current stage of development of initiative budgeting in Uzbekistan, the participation of citizens in it is limited to online voting for the budget without discussing proposals to direct budget funds to solve problems that are important from the point of view of residents of the territory. Based on the analysis of the emerging Uzbek practice and foreign experience, including Russian experience in organizing initiative budgeting [Vagin, 2020], it is necessary:

- 1) introduce into this process an element of discussion of citizens’ proposals at the stage of forming a draft initiative budget before voting for it begins;
- 2) study the Russian experience in institutionalizing professional consulting for initiative budgeting and begin to create a Center of Competence for Initiative Budgeting, similar to the Russian one, with

its divisions located in the administrative-territorial entities of the country to provide advice and support for initiative budgeting locally.

The methodological basis for the Competence Center for Initiative Budgeting should be the Institute of Budget and Tax Research under the Ministry of Finance of the Republic of Uzbekistan, since it serves as the coordinator for the development of initiative budgeting in the country. In order to intensify and expand the participation of citizens in the budget process, and in the future - in the formation of the country's budget and tax policies, increase the efficiency of budget expenditures and control over the use of budget funds, it seems necessary and advisable to involve the existing and functioning unique institution of civil society in Uzbekistan - the mahalla.

Mahalla is a residential area, community, local government body in cities, towns, villages and auls of Uzbekistan, which is headed by an aksakal (chairman), elected by a meeting of citizens of the mahalla. This form of organization of self-government in Uzbekistan has its own financial resources, its activities are regulated by the law "On bodies of self-government of citizens". As part of the implementation of the Uzbek concept "From a strong state to a strong civil society," in addition to the Basic Law, more than a hundred legal documents determine the procedure for the participation of self-government bodies in various spheres of society. In the new edition of the law of the Republic of Uzbekistan "On bodies of self-government of citizens", taking into account the importance of the institution of mahalla, which represents the interests and serves as a link between the population and the state, the mahalla within the relevant territory was given broader powers (despite the fact that they are not part of the system of government bodies).

Thus, the kengash (council) of the gathering of mahalla citizens is authorized to: provide assistance to the relevant government bodies in conducting mass political, spiritual, educational, cultural, sports and other events, as well as events for the organization, protection and use of protected natural areas; interact with educational institutions on issues of educating the younger generation; represent the interests of citizens' gatherings in government bodies; exercise public control over compliance with the rights and legitimate interests of business entities, the quality of provision of public services, compliance with the rules for the development and maintenance of courtyards and adjacent areas, etc.

Mahalla, being a unique form of social self-organization of citizens, over the centuries has formed and preserved special principles of motivating the social and economic behavior of the population, respect for public values, ethics of relationships, guaranteeing the unconditional fulfillment of assumed obligations and responsibilities to society. The Uzbek mahalla lives like a single family, people come to citizens' meetings, share their proposals, talk about problems and jointly determine ways to solve them. Based on this, we can conclude that it is the center of gathering of mahalla citizens, headed by an aksakal, in tandem with the Center for Competence of Initiative Budgeting proposed to be created in Uzbekistan and its territorial divisions that can intensify the participation of citizens in the distribution of local budget funds and monitoring their spending.

The relevance of this recommendation is confirmed by the decision of the President of the Republic of Uzbekistan on the following issues:

- distribution of funds for mahalla infrastructure only through the initiative budget;
- expanding the powers of citizens in the distribution of local budget funds.

Thus, from this year, citizens will distribute 30% of additional funds from all regional budgets (until now they took part in the distribution of part of the funds from the budgets of cities and districts);

— introducing the "makhalla budget" system into Uzbek practice to independently solve the problems of the territory. As part of the experiment, from the beginning of this year: in each region, in one of the districts with low tax collection, the functions of collecting property and land taxes have

been transferred to mahallas with the collected funds credited to the mahalla budget; The practice is being introduced by the khokim (head of the local administration), together with the chairman of the mahalla and the khokim's assistants, a list of projects to be financed from the mahalla budget for approval by the district kengash (council) of people's deputies. At the end of the year, the practice, after generalization, will be introduced in all regions and cities of the country.

Thus, at the moment, in the development of proactive budgeting, it is important to place emphasis on the training of professional consultants (it would be advisable to entrust the solution of this issue to the Institute of Budget and Tax Research and the Center for Competence of Initiative Budgeting recommended for creation), who, upon completion of training, will be able to organize on the basis of the territorial divisions of the Center and launch systematic training in the basics of financial and budget literacy, conducting seminars, trainings and webinars with extensive coverage of domestic and foreign practice of initiative budgeting for deputies of district, city and regional councils, elders, local and mahalla administration, as well as the population of all age groups with the subsequent formation from among trained citizen initiative groups to discuss population proposals on the distribution of budget funds. In teaching citizens the basics of financial and budget literacy, it is important to involve the media by launching special cycles of educational programs aimed at different age groups of citizens, as well as to use advertising by placing it on LED screens located in public places, on social networks, etc. n. In institutions of the educational system at all levels, it is necessary to include a special course in the curricula to teach schoolchildren and students the basics of financial, budget and tax literacy.

For the successful functioning of territorial divisions, the Competence Center for Initiative Budgeting needs to provide in their structure online resource centers with a bank of information about the best foreign practices in organizing initiative budgeting, accessible for use and convenient for finding the necessary materials and user interaction with the materials of the online resource center (comments, "likes", organization of discussion, etc.).

These measures will allow:

— expand coverage and intensify the involvement of citizens in the budget process, prepare initiative groups of citizens to discuss budget issues with representatives of local authorities, for public discussions, debates, and also organize the preparation of public reporting;

- to form the basis for the transition to the next stage of involving citizens in the budget process - to budgeting, the expansion of which, in turn, will depend not only on reforms in the field of public finance, but also on reforms in related areas.

Without effective decentralization (both financial and administrative), the development of budgeting cannot be significant. An analysis of the factors influencing it shows that with low financial autonomy, only consultation models in which citizen participation is limited to consultation (without participation in decision making) can be acceptable. Many experts, relying on a narrow definition of budgeting (a process open to any citizen who wishes to participate in it, in which direct democracy is combined with representative democracy and which includes discussions and provides for the redistribution of funds in favor of poor areas and self-regulation), do not recognize such models as practice. In order to move towards more advanced budgeting models based on the real participation of citizens in decision-making, financial and administrative decentralization, reform providing for the development of the institution of election of local authorities, the formation of incentives and mechanisms for their interaction with the population and accountability to it, and continued strengthening of self-government bodies are necessary. citizens. Democratization of the process of appointing and dismissing heads of representative and executive power at the local level with the transition to an elected system of territorial leaders will increase the interest of leaders in dialogue with citizens.

So Thus, for the successful implementation of the second stage of public financial management reform in Uzbekistan, the main directions and measures of which are outlined in the second Strategy “Public Financial Management Reform” (2020), it is important to take into account the experience of implementing the first Strategy (2007), which, despite all its ambition, was not implemented fully for a number of reasons, primarily related to the establishment of the sequence of directions and activities provided for in it, as well as the creation of an appropriate training and capacity-building system.

In this regard, special attention must be paid to measures to:

- development and formation of a mechanism for implementing the directions for development of the PFM system provided for in the Strategy;
- definizing and building consistency and interconnectedness of development directions;
- assessing the powers of the participants in the process and their expansion;
- timely training and human resource capacity building; timely formation of the appropriate legislative framework and active use of international experience.

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