

## **MODULE FOR ASSESSMENT OF THE STATE OF LOCAL BUDGETS**

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### **ABSTRACT**

The article examines the problems of regional finance, which are the subject of active social policy for the state, providing individual regional executive authorities with the opportunity to finance education, health care, public utilities, and construction.

**KEYWORDS:** local budget, regional budget, potential, project, sanctions.

### **INTRODUCTION**

It is impossible to judge the level of development of a region or country, without knowing the state of the financial sphere, since it is the basis for implementing any socio-economic programs and projects.

The region of the state is part of the state for which statistics are kept that characterize this part of the country and which it is advisable to consider as an “aggregated” recipient of budget funds and payments from the budget funds. Therefore, the indicators characterizing the financial condition of the region are integral parts of the system of indicators of its socio-economic status.

However, the regional state is often presented as the concept of "local", "territory". Therefore, in this work, we characterize the state of the regional budget, which means the budget of the locality (region, district).

Regional finance is the subject of active social policy for the state, provides individual regional executive authorities with the opportunity to finance education, health care, public utilities, construction and maintenance of roads.

The analysis of the state of regional budgets is carried out for different purposes at different stages of the budget process:

- When drawing up a budget - for the foundation and assessment of the parameters of indicators;
- When executing the budget - to assess the results, determine the reasons for deviations in budget indicators, develop proposals to increase revenues and fully finance costs, and determine the level of sustainability of local budgets.

The lack of a unified approach and analysis in its information support leads to a unified comprehensive methodology for assessing the local budget, which does not exist at the moment. The governing bodies confine themselves only to an economic analysis of budgetary indicators (revenues and expenditures), assessing the absolute indicators of the budget, comparing the shares of tax and non-tax revenues in the total volume of budget revenues, as well as the shares of various types of budget expenditures in its total expenditures.

In different periods of time, the following analytical tools can be used to compare the characteristics of the budget and with similar indicators of local budgets:

- A method for assessing budgetary potential based on an assessment of the prospects for changes in both income and expenses;
- Analysis of the sustainability of the regional budget;
- Calculations of various budget coefficients (for example, budgetary provision of the population, tax performance, etc.) as indicators of the state of local budgets.

Conducted research shows that these approaches to budget analysis can be supplemented by the method of assessing the reaction of budget expenditures to changes in its revenues. Undoubtedly, at the same time, the result of such an analysis is the identification of priority items for spending budget funds, and these include those types of expenses that increase at a faster rate than the increase in budget revenues, or continue to grow with a drop in revenues. Moreover, when analyzing the execution, the results of the execution of the budget as a whole are summed up, as well as by types of expenses, types of budgetary institutions, and items of costs.

The economical use of appropriations is found out, the target nature of spending is checked, and the degree of the institutions' need for funds is assessed. It is important to determine whether there is a relationship between certain types (items) of budget expenditures and its revenues (for example, own revenues or the amount of financial assistance from a higher budget). In other words, this kind of dependence can be estimated using the index of arc logarithmic elasticity. The reaction of changes in expenditures (by item) of the budget to changes in its revenues in the next two states (the next two years), for example, is the same.

For example, if at time  $t_1$  the state of the budget is described by expenditures (for a specific item)  $P_1$  and income  $D_1$ , and at time  $t_2$  - by expenses  $P_2$  and income  $D_2$ , then

$$Ed(R) = \frac{P_2 - P_1}{P_1} : \frac{D_2 - D_1}{D_1}$$

where,  $Ed(P)$  - income elasticity of expenses.

Using this formula, the measure of the response of expenditures (by items) of the local budget to changes in its revenues can be calculated. Data for different time periods must be recalculated in comparable prices using the consumer price index. In this case, on the basis of the results obtained, it is possible to single out various states of the model under consideration.

In fact, the reaction of the indicator of the volume of financial assistance from the higher budget to changes in certain types of expenditures of the local budget can be considered in a similar way. So, you can assess how the planned change in specific costs affects the change in financial support from the higher budget.

It can be said that the specified methodology of budget analysis is quite simple. The results of the analysis make it possible to compare the planned directions of local socio-economic policy and their actual implementation. This technique was tested in the analysis of the budget of Samarkand for the period from 2004-2008. The obtained values allow individuals to judge some dependencies.

First, there was a stable change in the budget expenditures of the city of Samarkand in the period under review, depending on the change in its revenues. Therefore, in 2004-2005, an increase in total budget revenues by 1% caused an increase in expenditures by 1.0%. In 2006-2007, there was a decrease in budget revenues, while expenditures decreased at a faster pace; with a 1% decrease in revenues, expenditures decreased by 1.4%. In the next period, there was also a decrease in budget revenues, but at the same time expenses decreased at a slower pace - by 0.8%. However, the value of elasticity for the entire period 2004-2008 slightly deviated from the "threshold value" (1.0%). This trend can be called favorable for the budget. Here, the change in expenses was carried out depending on the change in income.

Secondly, the article analysis of the budget expenditures of the city of Samarkand showed that in 2004-2005 with a one percent increase in total budget revenues, spending on education increased by only 0.3%. During this period, education was a low-priority area of budget spending for local authorities. In 2005-2006, when there was a decrease in budget revenues, expenditures on education decreased by 1.3% with a 1% decrease in revenues, because there was a slight decline in expenditures on education. However, in 2006-2007, the value of elasticity dropped sharply - to 0.2%, i.e. while budget revenues decreased by 1%, expenditures on education also decreased slightly (by 0.2%). However, in 2004-2006, expenditures on education were not a priority for the local self-government bodies of Samarkand; other items of spending of budgetary funds were covered at their expense. If the situation does not change in the future, there will be underfunding of education. Additionally, in 2003-2004, the elasticity of expenditures on housing and communal services (HCS) with respect to budget revenues of Samarkand took a negative value (-0.6%), i.e. with an increase in total budget revenues by 1%, housing and communal services decreased by 0.6%. Other priority items of budget expenditures were covered by this direction of spending budget funds. In fact, in 2005-2006, a percent decrease in budget revenues caused a decrease in its expenditures on housing and communal services by 2.0%, although during this period expenditures on housing and utilities were also not a priority. In 2006-2007, the elasticity value was 1%, i.e. there was a stable change in the cost of housing and communal services depending on changes in budget revenues. For at the expense of funds for housing and communal services, other budget expenditures were covered, which were more significant for the local authorities of Samarkand.

In 2005-2006, there was an outstripping growth in the expenditures of the budget of Samarkand on management - with an increase in revenues by 1%, expenses on management increased by 10.0%. This is very important for the coefficient of elasticity, so we can talk about the priority of this type of spending of

budget funds. During this period, the rest of the considered budget expenditures were either reduced, or the rate of change was less than the rate of change in income, because management costs were torn at the expense of other budget items. However, in 2005-2006, the value of the elasticity of expenditures for management with respect to budget revenues fell sharply compared to the previous year - to 0.5%. Budget revenues during this period were declining. Based on such a small value of elasticity, we can talk about the importance of management costs. In 2006-2007, one percent decline in budget revenues caused a 1.0% cut in management costs.

Moreover, in 2004-2005, it was tended to reduce spending on social policy. They decreased by almost 5% while budget revenues increased by 1%, i.e. spending on social policy was an insignificant area, but already in 2006-2007 there was an increase in these expenses by 1.6% with a decrease in income by 1%, which indicates a change in the situation - last year's underfunding of social spending was partially covered during this period. By 2007-2008 the situation worsened again - the reduction in spending on social policy proceeded at a faster pace than the reduction in budget revenues (by 4%, while revenues decreased by 1%).

In 2005-2006, health care expenditures increased by 0.9%, while budget revenues grew by 1%, i.e. there was an almost stable growth in this item of expenditure. In 2005-2007, "when revenues began to fall, health care expenditures fell at a slower pace; a 1% decline in revenues caused a decrease in health care expenditures by only 0.6; indicating the importance of this direction of spending budget funds for local authorities. By 2006-2007, the rate of decline in health care costs increased slightly - to 0.9%, depending on the decrease in income by 1% (became almost stable). For health care costs are quite important for the budget, a sufficient amount of budget funds are allocated for this area of the social sphere.

The execution of the budget of the city of Samarkand also assessed the dependence between various budget expenditures and financial assistance from higher budgets. Since, the amount of financial assistance from higher budgets in 2005-2006 reduced, the results of arc elasticity obtained indicate the following.

In 2007-2008, there was an increase in the total expenditures of the budget of Samarkand by 0.3% with a decrease in financial assistance from higher budgets by 1%. This indicates that budget expenditures were largely covered by sources. In 2006-2007, budget expenditures fell at a slower pace than the amount of financial aid decreased - a 1% reduction in financial aid led to a reduction in city budget expenditures by only 0.74%. This indicates an increase in the dependence of budget expenditures on the amount of financial assistance. This dependence in the next period (2007-2008) increased even more, since a decrease in the amount of financial assistance by 1% caused a decrease in budget expenditures by 3%. Basically, expenditures on education were carried out at the expense of their own sources of budget funds. A gradual increase in the dependence of funds allocated for housing and communal services from the amount of financial assistance came from higher budgets strong relationship was observed between the amount of financial assistance and expenditures on administration, as well as on social policy. Therefore, in 2006-2007 with a 1% reduction in financial assistance, spending on social policy fell by 9.0% and the statement was confirmed that spending on social policy was not a priority for the budget of Samarkand during this period.

The results obtained in the analysis of the budget can be used by local governments to carry out a comparative analysis of budget indicators to make forecasts for budget development.

Table 1. Budget Assessment Model

No	Composition Indicators	Model increase income	Significance of income or expense	Priority (non-priority) of the direction of income or expenses
1	Increase in income ↑	$E_d(R) > 1$	The significance of budget expenditures is high. For the growth rate of expenses is greater than the growth of income	There is a priority of this direction of budget expenditures

		$0 < Ed(p) < 1$	Significance directions expenses low. Expenses for this direction grow with smaller faster than income growth	Smaller pace cost increases
		$Ed(R) = 1$	For the budget, the direction of expenditure is significant	The stability of the growth of expenses is observed depending on the growth of income
		$Ed(P) < 0$	Insignificant direction expenses. Decrease expenses for income growth budget	This type of expenses is not for the budget priority and due to these costs there is an increase in costs in other areas
2	Decrease in budget revenues ↓	$Ed(P) < 0$	High significant budgetary direction expenses	Budget revenues are decreasing, but its expenses are still growing. This indicates the priority of this item of expenditure
		$0 < Ed(P) < 1$	Significant Budgetary direction expenses	Decrease at a slower rate than the decline in income. It testifies to efforts to maintain the volume of funding for this item
		$Od(P) = 1$	Low Significant direction expenses	Budget expenditures fall at the same rate as revenues
		$Ed(R) > 1$	An insignificant direction. Budget expenditures are falling at a faster rate than its revenues are decreasing	This direction of spending is not a priority for the budget.

## CONCLUSION

1. The main function of local authorities in Uzbekistan is that they act as a conductor of state socio-economic policy, the government of the country. The bulk of local budget expenditures is directed to financing the social sphere and social protection of the population.
2. A number of important issues of ensuring the balance of representative and executive power, including at the local level, have not been fully regulated in the legislation. In particular, there is no clear mechanism for delegated lawmaking, which is why the executive branch has the ability to make decisions on issues that in most countries of the world are within the competence of the representative branch of government. Finally, at the local level, the khokim is the sole leader of both representative and executive power.

## REFERENCES

- 1) Decree of the President of the Republic of Uzbekistan "On the Strategy of Actions for the Further Development of the Republic of Uzbekistan" dated February 7, 2017, No. UP-4947.
- 2) "Administrative-territorial division of the Republic of Uzbekistan", Goskomstat, T.: 2009.

- 3) According to Article 76 of the Constitution of the Republic of Uzbekistan, legislative power is exercised only by the Oliy Majlis (throughout the territory of the Republic of Uzbekistan) and Jokargy Kenes (on the territory of the Republic of Karakalpakstan). In other words, local Kengashes of people's deputies are not legally legislative bodies. They, along with the Oliy Majlis and Jokargy Kenes, belong to the representative branch of power (according to Article 99 of the Constitution of the Republic of Uzbekistan).
- 4) Expenses of business entities of Uzbekistan for tax administration and reporting. Report of the International Finance Corporation, 2010, p. 7.
- 5) In accordance with the Regulations on the procedure for recording the receipt, distribution and control over the use of funds from privatization, approved by Appendix No. 4 to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated January 29, 2009 No. 27.
- 6) In accordance with the resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 08.04.2009, No. 102 "On measures to improve the procedure for leasing state property."