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MEDIUM-TERM BUDGET PLANNING AND ITS ROLE IN THE SOCIO-ECONOMIC DEVELOPMENT OF THE COUNTRY

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Abstract: International experience shows that many countries have implemented medium-term budget planning in order to strengthen the stability of public finances, more efficient allocation of resources, as well as to encourage their efficient use. The ongoing consistent reforms and changes are playing an important role in ensuring the macroeconomic stability of our country, which is rapidly entering the world community, improving the welfare of the population and, most importantly, the socio-economic development of Uzbekistan. This article describes the current reforms in the financial system of the Republic of Uzbekistan, including the role of medium-term budgeting in ensuring economic and financial stability.

Key words: medium-term budget planning, financial system, fiscal policy stability, financial reform, transparency of the state budget.

Introduction

At a time of radical changes and reforms in all spheres of life in our country, large-scale reforms are taking place in the public financial system, a completely new approach to parliamentary and public control over the openness and transparency of the state budget, a new stage of tax reform, concept and the adoption of a new version of the Tax Code on the basis of this decree, along with increasing the confidence of our people in the future, sets great goals and tasks for all of us. 'International experts, in particular the International Monetary Fund, have estimated that global GDP growth this year will be 3 percent, down from 1 percent in the first forecast. Economic growth has also slowed in the countries that are the main trading partners of our country. Competition in the world market is intensifying and "economic wars" between some countries continue. These factors inevitably affect the economy of Uzbekistan. In this regard, we need to determine the main macroeconomic indicators, parameters of the state budget and tax reforms, taking into account these risks' [2]. International experience shows that many countries have implemented medium-term budget planning in order to strengthen the stability of public finances, more efficient allocation of resources, as well as to encourage their efficient use. In our country, starting from 2019, the budget is moving from the current planning to medium-term planning, ie the draft State Budget submitted to the OliyMajlis consists of budget parameters for 2019 and medium-term budget targets for 2020-2021 [3]. The medium-term budget includes:

- medium-term macroeconomic indicators;
- The concept of budget tax policy;
- Medium-term budget areas.

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 is changing the prospects for socio-economic development of the state and society [4]. In this regard, medium-term budget planning is not just the next stage of budget reform, but a necessary condition for ensuring macroeconomic stability and forecasting of the economic situation. The medium-term budget allows you

to assess:

First, if the "planning framework" is one year, the solution of current problems may become more important than strategic goals. The medium-term budget targets allow us to assess the impact of the current fiscal policy on the country's economy and living standards in a few years. Second, for the average citizen, it means being aware of the government's policy for the next three years, i.e. what tax policy will be in the coming years, whether the amount and structure of spending will change, and which areas will be prioritized. Third, medium-term budget planning is also beneficial for business and entrepreneurship, i.e., it reduces uncertainty and risks. The direction in which budget expenditures are directed to the sectors will always be a kind of "compass" for business. The more budget funds are allocated to which sectors, the more public procurement will be in those sectors. Fourth, reliable information on the medium-term macroeconomic indicators of our country is important for international investment companies and rating agencies. After all, the existence of an open and transparent fiscal policy and medium-term budget parameters will lead to the development of the investment climate in our country. Medium-term budget indicators are based on forecasts of socio-economic development, the prevention of growth of public spending during the implementation of tax reform, as well as the establishment of a limited amount of external debt.

In many developed countries, the budget is adopted in the form of a law, including in Uzbekistan, the state budget will be adopted in the form of a law from 2020, and its targeted and targeted use, transparency will be controlled by the general public and parliament. Another important innovation in this area is the distribution of state budget expenditures not by sectors, but by ministries and departments. In order to fully account for and reflect the sphere of public administration, from 2020, the indicator of "general fiscal balance" is introduced. This indicator is the total balance sheet, which includes consolidated budget revenues and expenditures and expenditures from foreign borrowings, which are covered by the State budget for the implementation of government programs [5]. The main directions and methods of implementing fiscal policy in the country for 2019-2021 are being developed on the basis of amendments to the Decree of the President of the Republic of Uzbekistan dated June 29, 2018 PF-5468 "On the concept of improving tax policy of the Republic of Uzbekistan." Reducing tax rates for enterprises and individuals will create favorable conditions for business, equal conditions for businesses regardless of size and form of ownership, increase the production and sale of export-oriented competitive products, increase the number of legal and decent paid jobs, Increasing the country's investment attractiveness is an important area of tax reform in the near future [6]. The above consistent reforms and changes play an important role in ensuring the macroeconomic stability of our country, which is rapidly entering the world community, improving the welfare of the population and, most importantly, the socio-economic development of Uzbekistan.

Analysis of the literature on this topic

In recent years, a lot of research has been conducted to study the structure and effectiveness of medium-term budget structures. Some of these are being studied on a national scale, while others are being studied by many economists by comparing models from different countries. The main purpose of these studies is to comprehensively improve the fiscal policy of states and the successful implementation of strategic plans, covering many areas related to public finance. In particular, the Swedish economist Ljungman G. In his article "Medium-Term Budget Structures in Sweden" he noted that in order to

effectively plan the medium-term budget, this system should be integrated with all aspects of the budget process. The main focus of this article is on the existence of a computerized budget process management system in the development of real and sound macroeconomic and budget forecasts of this system [7].

The International Monetary Fund (IMF) has carried out systematic work to identify the most effective methods and structures of public finance management on the example of seven developed countries. The results of the study showed that the most important part of medium-term fiscal policy has been recognized as its openness and transparency. The impact of medium-term budget plans on the long-term macroeconomic stability of the country and the results of observations show that the countries that switched to medium-term budget planning in 1998-2007 balanced their state budgets and made a positive contribution to GDP growth [8].

According to scholars such as Barrios.S and Schaechter.A, the main purpose of introducing medium-term budget targets is to strengthen fiscal discipline, sustainability, accountability, and ensure transparency of budget processes. It was stated that in order to increase the effectiveness of fiscal policy, it is necessary to implement institutional and executive changes, develop new laws and have an independent organization that manages all budgetary processes [9].C.Tita., A. According to Otetea and I. Banu, the introduction and adaptation of medium-term budget planning is a difficult task for any state. First, there are forecasting models used in this system to accurately calculate key macroeconomic indicators, as well as potential problems in providing relevant information to all participants in the budget process on a regular basis. Second, the transparency of state budget revenues, expenditures, budget deficits, and public debt targets, and the difficulty of developing a medium-term strategy aimed at achieving the expected results [10].

Analysis and results

If we analyze the parameters of the consolidated budget of our republic for 2021-2023, we can observe the growth trend of state budget revenues and expenditures despite the negative consequences of the global crisis and pandemic. In particular, the consolidated budget deficit is expected to reach 37.5 trillion soums, or 5.4% of GDP, with the state budget revenues in 2021 projected at 147.2 trillion soums and expenditures at 149.9 trillion soums. On the contrary, in 2022, the state budget and trust fund deficit is expected to decrease by 8 trillion soums compared to the previous year, the state budget revenues will amount to 173.5 trillion soums and expenditures to 163.7 trillion soums. In 2023, excluding state target funds, state budget revenues are expected to reach 200.7 trillion soums, and expenditures - 183.6 trillion soums.

Table.

Parameters of the Consolidated Budget of the Republic of Uzbekistan for 2021 and budget targets for 2022-2023, in billion soums [11].

T / r	Indicators	Forecast for 2021	Budget targets:	
			In 2022	In 2023
I.	Consolidated budget revenues	178 712,4	208 371,3	238 954,0
1.	State budget revenues	147 202,3	173 550,2	200 708,6
2.	Revenues of state trust funds *	26 173,9	28 251,7	30 544,5
3.	Receipts to the Fund for Reconstruction and Development of the Republic of Uzbekistan	5 336,2	6 569,4	7 700,8
II.	Consolidated budget expenditures	216 246,6	231 338,9	258 096,0
1.	State budget expenditures	149 950,5	163 780,4	183 675,0
2.	Expenditures of state trust funds	40 772,5	46 709,1	51 720,2
3.	Expenditure of the Fund for Reconstruction and Development of the Republic of Uzbekistan	13 423,6	6 569,4	7 700,8
4.	Expenditures on government programs at the expense of external debt	12 100,0	14 280,0	15 000,0
III.	Transfers to state trust funds	15 928,9	17 930,2	21 097,2
IV.	Consolidated budget balance (surplus +, deficit -)	-37 534,2	-22 967,6	-19 142,1
V.	Balance of the State Budget and State Targeted Funds (surplus +, deficit-)	-17 346,8	-8 687,6	-4 142,1
VI	Debt settlement of the state	7 767,7	10 316,8	12 478,2

The economy of our country differs from other countries by its social orientation. In particular, in 2018, 43.0 trillion soums or 54.8% of total expenditures were directed to the social sphere and social support of the population, and in 2019, more than 58 trillion soums or 54.2% of total expenditures were allocated to these areas. In 2020, the social sphere will continue to dominate in the structure of state budget expenditures (51% of GDP, or 66 trillion soums). Below you can see the projected social spending structure for 2021.

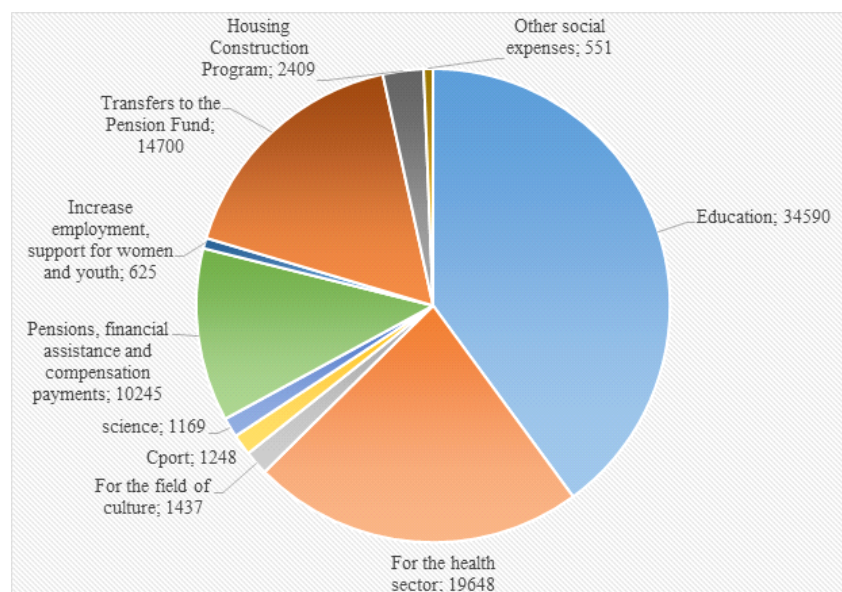


Figure 1. Social spending structure, 2021 billion soums [12].

In 2021, more than 86.6 trillion soums from the state budget, or 52% of total expenditures, will be directed to the social sphere. In the structure of social expenditures, the largest share is in the field of education, which is 34.5 trillion soums or 20.8% of state budget expenditures and 5% of GDP. It is planned to allocate 19.6 trillion soums to the health sector and 10.2 trillion soums for benefits, financial assistance and compensation. We can see that 14.7 trillion soums have been allocated from the budget to cover the deficit of the extra-budgetary pension fund. The tax reforms being carried out in our country at the initiative of the President are yielding positive results in increasing revenues to the state budget. This is confirmed by international financial institutions. For example, the number of VAT payers increased 12 times and the number of income tax payers increased 6.5 times. As a result of a sharp reduction in the tax burden on wages, income tax payers have increased by 700,000, and this tax revenue has doubled.

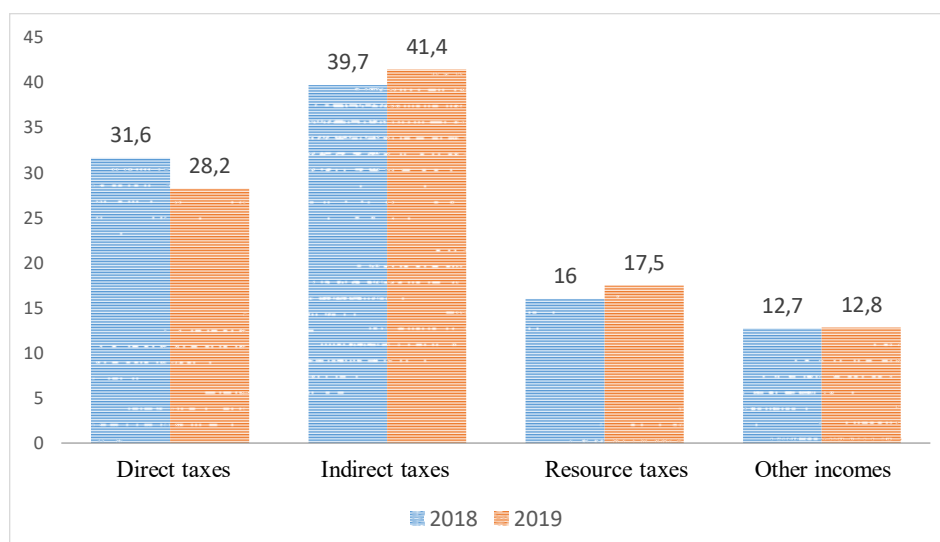


Figure 2. The structure of state budget revenues in 2018-2020, in percent [13].

The results of tax reforms are especially evident when the ratio of direct and indirect

taxes changes. In 2018, budget revenues were formed mainly through indirect taxes, and their share was more than 50 percent. As a result of the three-year reforms, the ratio of direct and indirect taxes has changed. The share of direct and indirect taxes in the budget of Uzbekistan by the end of 2020 was almost equal: 34% - direct taxes and 34.9% - indirect taxes.

The main factor in the positive changes in the structure of the budget were the following directions aimed at changes in the tax system:

- reducing the tax burden on the salary fund;
- reduction of the rate of income tax at the source of payment for income in the form of dividends from 10% to 5%;
- reduction of the tax rate on property of legal entities from 5% to 2%;
- Abolition of additional income tax;
- Transition to the payment of general taxes for enterprises with an annual turnover (income) of more than 1 billion soums;
- Introduction of property taxes, land taxes and taxes on the use of water resources for all business entities, including legal entities with a turnover (income) of up to 1 billion soums;
- abolition of certain tax and customs benefits.

The structure of state budget revenues was influenced by the ongoing reforms in economic sectors and changes in world commodity prices. During the pandemic, the implementation of incentives and other measures provided to certain sectors of the economy and businesses had an impact on 2020 revenues. In total, more than 400,000 businesses have benefited from more than 2 trillion soums in benefits.

Conclusions and suggestions

Based on the results of the above analysis, it can be concluded that changes in fiscal policy have a positive effect on strengthening the revenue base of the state budget and the targeted spending. In particular, a favorable investment climate is being created in the country, which in turn helps to increase production, effectively implement localization programs, prevent unemployment and increase the solvency of the population. To further increase the effectiveness of reforms and ensure the sustainability of fiscal policy, the following can be proposed in practice:

- gradual abandonment of centralized budget policy and increase the independence of local budgets and expand their revenue base;
- Improving tax administration through the introduction of advanced technologies in this system to achieve a guaranteed budget;
- prioritization of financial and budgetary discipline;
- Ensuring openness and transparency of the budget and the widespread introduction of a system of public and parliamentary control over its use;
- proper management of fiscal risks that may arise as a result of fiscal policy reforms;
- Development of procedures for setting target indicators and evaluating the implementation of programs financed from the budget;
- Provision of tax incentives for a certain period of time in accordance with the program for the development of leading sectors of the national economy and in order to ensure the balance of enterprises in the effective use of tax policy, which are components of public fiscal policy;
- Consistent continuation of fiscal policy reforms and proper management of potential fiscal risks.

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