

FISCAL DECENTRALIZATION IS A FACTOR IN THE EFFECTIVENESS OF GOVERNANCE

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Abstract:

This article examines one of the main directions of improving the public administration system in the Republic of Uzbekistan in the context of the adoption of the Conceptual document - Actions Strategy for 2017-2021. We substantiate the objective need for a scientific analysis of the ongoing processes of decentralization of economic systems in the Republic, first of all, from the point of view of their possible economic and legal consequences. We reveal certain risks of fiscal decentralization in line with organizational, legal and socio-political relationships between central government bodies and local government bodies.

Keywords: fiscal decentralization, local government, smart governance, modernization of public administration, economic policy

Decentralization is not a panacea, its possibilities are limited by the set of cultural, historical, economic, legal and financial difficulties that countries face. Restoring or rebalancing the powers and functions of the various levels of government is usually a complex political and administrative task. The transfer of functions to local governments requires a significant reshuffle in political, financial and administrative authorities. More importantly, in some countries it represents a significant step forward towards the elimination of central government structures.

One of the problems in many developing countries is that the central government does not initially provide an adequate level of services evenly throughout the country. Public services are relatively easily accessible only to residents of large cities, and in remote areas, central government institutions are not represented at all. In such cases, effective decentralization requires access to new financial resources in order to provide a more equitable service to the population in all parts of the country. Measures to ensure that local governments fulfill their functions cannot be a simple transfer of funds from the center, where such resources are not available in the first place. Under these circumstances, decentralization would require a significant increase in overall financial and human resources.

Today the post-Soviet countries are faced with the problem of improving the functioning of their public sector of the economy. This should guarantee a sufficiently effective provision of public goods in relation to the growth of social needs and the scarcity of available resources.

In theory, there are two opposite types of response to this problem: centralization or decentralization. Both types have advantages and disadvantages. In Uzbekistan, after the adoption of the Actions Strategy 2017-2021, a course has been taken for a radical reform of the public administration system aimed at increasing the efficiency of the functioning of public authorities and the gradual transfer of their powers to the local government to establish trusting relationships with the population¹.

Decentralization, involving the “engine” of competition between local governments, could provide better solutions to the problems of public sector efficiency, avoiding many of the issues associated with the growing power of the center. In the Republic of Uzbekistan, this problem is becoming quite urgent. Here, since the collapse of the Soviet Union, the national government has made many promises to reform the finances of regional and local government. The declaration of the reform touched upon the problems of fiscal decentralization, such as: introduction of the principle of subsidiarity at the regional and local levels, increasing budgetary provision and expanding the financial autonomy of regional local authorities, their fiscal capabilities. In the long term, this could imply a departure from the policy of dependent interregional equality and an increase in the role of competitiveness among regions based on the concept of fiscal decentralization².

One of the main directions of reforms in the transition to a market economy in our country is the gradual transition from "state to non-state economic structures." One of the main tasks in the formation of effective public administration is to reduce and limit the direct interference of the state in the economy. Under the command-and-control system, the political leadership oversaw and decided on all economic issues, large and small. With the deepening of scientific and technological progress and the expansion of people's needs, the complexity of social reproduction has shown the incompetence and uncompetitiveness of the economy based on the concept of direct government leadership³. In this regard, the primary goal of reforming the system of social and public administration in countries that have undergone the process of transformation is to define a fundamentally new role of the state in the economy. In essence, progress in this area is a key indicator of the progress and success of administrative reforms. In this regard, the content of the Decree of the President of the Republic of Uzbekistan dated September 8, 2017 No PF-5185 "On approval of the Concept of Administrative Reforms in

¹ Ўзбекистон Республикаси Президентининг Фармони ва унга илова қилинган “2017 - 2021 йилларда Ўзбекистон Республикасини ривожлантиришнинг бешта устувор йўналиши бўйича Ҳаракатлар стратегияси”. 2017 йил 7 февраль, ПФ-4947-сон // Ўзбекистон Республикаси қонун ҳужжатлари тўплами, 2017 й., 6-сон, 70-модда, 20-сон, 354-модда, 23-сон, 448-модда, 37-сон, 982-модда.

² Decentralization: Conceptualization and Measurement. Aaron Schneider. Studies in Comparative International Development, Fall 2003, Vol. 38, No. 3, pp. 32-56.

³ Barkay, T. 2009. Regulation and voluntarism: A case study of governance in the making. Regulation and Governance, 3: – P. 360-375.

the Republic of Uzbekistan"⁴, which includes the main directions of radical reform of public administration, is relevant today. The concept of administrative reform is an important policy document that sets long-term and strategic goals, the purpose of which is to form a conceptually new model of public administration.

In addition, it is necessary to further reduce the administrative impact on sectors of the economy and expand market mechanisms of governance, as well as the introduction of modern forms of strategic planning, innovative ideas, developments and technologies in public administration⁵. It is necessary to pay special attention to the formation of a professional civil service, measures to apply effective mechanisms to combat corruption in the executive branch. To successfully address the challenges of socio-economic reforms, Uzbekistan needs entrepreneurs who think innovatively and are willing to invest in the processing sector of the economy. In this regard, it is necessary to create an appropriate business environment that reduces the interest in speculative models of doing business. It is important to note here that these conditions have a motivating character rather than a form of prohibition or restriction. Otherwise, it will only increase the inflow of private capital into the underground sector.

Taking into account the demographic development trends of Uzbekistan, it is necessary to gradually increase the number of small businesses and private entrepreneurship by 2-3 times each year, so that by 2030 there will be at least 30-40 enterprises per 1,000 people. In order to accelerate the development of the small business and private entrepreneurship sector and its qualitative growth, the measures taken by the government in this area must meet a single but fundamentally important condition, namely, administrative (financial, pricing, fiscal, etc.) means of regulating economic activity should be reduced⁶. The gradual transition to the use of real market instruments of economic regulation will allow the entrepreneurial movement to acquire a "mass character". This approach will help to "rejuvenate" the average age of entrepreneurs in our country. To this end, the government should focus on addressing the following issues in the medium term. The study showed that the main factors hindering the legalization of business and its qualitative development are most pronounced in the administrative regulatory norms set within the framework of fiscal and monetary policy. In this regard, developing and taking measures to eliminate the gap between cash and non-cash money while maintaining macroeconomic stability and without setting additional rules governing the use of private sector funds is crucial. Also abandonment of inefficient soft loans (reduction of the number of benefits on the list of enterprises and introduction of the use of

⁴ Ўзбекистон Республикаси Президентининг 2017 йил 8 сентябрда қабул қилинган “Ўзбекистон Республикасида Маъмурий ислохотлар концепциясини тасдиқлаш тўғрисида”ги Фармони билан тасдиқланган Ўзбекистон Республикасида Маъмурий ислохотлар концепцияси // Lex.uz.

⁵ Умаров Б. А. История формирования и развития судебной власти в Республике Узбекистан //Юридический факт. – 2017. – №. 12. – С. 8.

⁶ Börzel, T.A. 2010b. European Governance - Negotiation and Competition in the Shadow of Hierarchy. Journal of Common Market Studies, 48 (2): – P.191-219.

network benefits), development of interest rate policy of banks in the new conditions is needed⁷.

Improvement and take measures to develop a competitive environment in the banking sector and to establish non-bank lending institutions with relatively simple collateral requirements and other conditions. It is necessary to continue targeted work to reduce the tax burden on small business and private entrepreneurship (reduction of the tax rate on the salary fund, abolition of the basic amount of the single tax payment and the minimum number of employees of the enterprise and the salary fund).

In the field of economic regulation, the state needs to change its approach so that the most important decisions are made in more consultation. The business should not only be aware of future changes, but also participate in the development of the established norms. When the government and business make joint decisions, this process becomes part of the new public contract, and the norms introduced become the most effective norms in terms of social reform and economic development of the country⁸. Reducing the level of transaction costs in the economy and creating conditions that encourage the expansion of small businesses and the creation of medium-sized enterprises will strengthen the capacity of the private sector to fulfill its social responsibility.

Without effective mechanisms for the interaction of government, population, business and civil society, it is impossible to create favorable conditions for the development of the private sector. Therefore, increasing the role of entrepreneurs in socio-political processes is an important strategic direction in the development of small business and private entrepreneurship in general. It is important to develop institutional mechanisms. Such mechanisms would have shaped individual qualities in entrepreneurs, and especially young people, that enable them to think innovatively in the new environment, to move from the traditional collective to individual approach to behavior, and to feel their personal responsibility for their future and the successful development of the country. To do this, the state must actively involve public organizations and parties in important government decision-making processes in the field of economic regulation⁹. This approach helps entrepreneurs develop a stronger civic outlook, as well as the skills to collectively defend their interests. The work being done today in Uzbekistan to introduce a system of legislative impact assessment at the institutional level can be a force to accelerate such processes. This is explained by the fact that public consultations by the executive authorities on all issues of economic regulation and the mandatory publication

⁷ “Модернизация, ислохотлар ва трансформацияларни тезлаштиришга қўмаклашиш” 2014 йил (SMART) UNDP Country Office in Uzbekistan <http://www.uz.undp.org>. (Promoting Accelerated Modernization, Reform and Transformation” 2014(SMART) UNDP Country Office in Uzbekistan <http://www.uz.undp.org>.)

⁸ Dafflon, Bernard. 2006. “The Assignment of Functions to Decentralized Government: From Theory to Practice.” In Handbook on Federalism, edited by Ahmad Ehtisham and Giorgio Brosio. Cheltenham, U.K.: Edward Elgar.

⁹ Bardhan, Pranab. The Role of Governance in Economic Development: A Political Economy Approach, The Organisation for Economic Co-operation and Development, Paris: OECD Publications, 1997.

of their results is one of its main features that ensure the quality of the legislative impact assessment system¹⁰.

In particular, our country has risen from 117 to 109th place in the ranking of "**2022 Index of Economic Freedom**" - the index of economic freedoms. This was achieved, in particular, as a result of measures aimed at reducing the tax burden, "improving" fiscal policy and ensuring freedom of trade¹¹.

In conclusion, one of the priorities of the concept of administrative reform is the modernization of economic sectors and the social sphere, the introduction of modern management methods aimed at overcoming the problems and shortcomings that hinder the successful implementation of public policy to limit unwarranted and harmful state intervention in the economy. is to reach. First of all, the optimization, decentralization of regulatory functions of public administration and the introduction of effective management based on the laws of a market economy ("Smart regulation") in the implementation of fiscal and economic policy in the country are yielding positive results.

It is also important to further reduce the administrative impact on the economy and expand market mechanisms of governance, to develop a healthy competitive environment in the most important sectors of the economy and social spheres, to ensure the full functioning of organizational and legal mechanisms to eliminate conflicts of interest. At the same time, based on the tasks of the positive influence of the state in these processes, optimizing the activities of entities engaged in the management of certain sectors of the economy, the transfer of state property on these principles would serve to achieve transparency and competition in the private sector.

In addition, one of the most important practical steps is to abandon the practice of financing the executive branch of government at the expense of economic management bodies under their control creates conditions for growth. Most importantly, these measures are aimed at ensuring the rule of law in society, the formation of a system that protects the rights and interests of citizens of our country and foreign investors, allows them to engage in effective business activities.

¹⁰ Regulating advice Markets. Definition of the term "fiduciary" conflicts of interest - retirement investment advice. Regulatory impact analysis for final rule and exemptions. 2016. – P. 11-12/

¹¹ <https://www.heritage.org/index/country/uzbekistan>.