



Fiscal Decentralization Is A Factor In The Effectiveness Of Management

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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.

INTRODUCTION

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,

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.

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 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.

The main content of the concept, which is considered to be another historic document to ensure the implementation of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021, is to radically reform the executive branch, increase its efficiency, comply with international requirements and standards. aimed at creating an apparatus system. Therefore, it provides for measures to improve the institutional and organizational-legal framework of the executive branch, to clarify the tasks (functions, powers), mechanisms for

their implementation and areas of responsibility.

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 administration. 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.

The results of the study revealed a strong correlation between the qualitative parameters of business development, such as the production of innovative products and the rate of technological renewal of the enterprise, with its size and form of ownership. In addition, the industrialization of the economy through the development of large and medium-sized industrial enterprises is becoming a key factor in the social socialization of youth in Uzbekistan. Therefore, the next recommendation is the need to create

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

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.

conditions that encourage entrepreneurs to make long-term investments and expand the size of their enterprises. The average processing industry can create a demand for skilled labor. They become the “engine” of localization and export, as well as creating demand for products and services of small business and private entrepreneurship. Accordingly, this will have a positive impact on the growth of employment in this sector and the expansion of the share of middle class in general.

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 reduced⁵. 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 network benefits), development of interest rate policy of banks in the new conditions is needed⁶.

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

⁵ Börzel, T.A. 2010b. European Governance - Negotiation and Competition in the Shadow of Hierarchy. *Journal of Common Market Studies*, 48 (2): – P.191-219.

⁶ “Модернизация, ислоҳотлар ва трансформацияларни тезлаштиришга

кўмаклашиш” 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>.)

the country⁷. 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 regulation⁸. 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

⁷ 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.

⁸ 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.

that public consultations by the executive authorities on all issues of economic regulation and the mandatory publication of their results is one of its main features that ensure the quality of the legislative impact assessment system⁹.

The efficiency of the measures taken to improve the business environment is objectively reflected in the positive assessments of leading international financial institutions and rating agencies. According to the World Bank's Doing Business 2020 report, Uzbekistan is among the top 20 reformers in the world in terms of creating a more favorable environment for entrepreneurship, moving up seven places to 69th place in the overall ranking¹⁰. This indicator is an example of the work carried out in 2019 in accordance with the State Program on targeted improvement of the 10 key criteria for improving the business environment set by the World Bank.

In accordance with the Actions Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021, the country is implementing comprehensive institutional and structural reforms aimed at reducing state participation in the economy, protecting the rights of business entities, further strengthening the priority of private property.

Decree of the President of the Republic of Uzbekistan No. PF-5409 of April 11, 2018 "On measures to further reduce and simplify

operation and Development, Paris: OECD Publications, 1997.

⁹ 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/

¹⁰

<https://www.doingbusiness.org/content/dam/doinBusiness/country/u/uzbekistan/>

licensing and permitting procedures in the field of entrepreneurship, as well as to improve the business environment" served as a logical continuation. This Decree stipulates the following¹¹:

First, 42 licensing and permitting procedures were abolished. These include licenses for the sale of petroleum products through refineries and oil change points, permits to act as a customs broker, outdoor advertising, etc.;

Secondly, 38 licensing and permitting procedures merged into 17;

Thirdly, the duration of 25 types of licensing and permitting procedures was reduced by reducing the time of their internal registration;

Fourthly, the functions of the licensing authority for 9 types of licenses will be transferred from the Cabinet of Ministers to the relevant state bodies. 5 types of licensing and permitting procedures will be transferred from public administration bodies of the republic to their territorial departments;

Fifthly, measures are planned to further reduce and simplify licensing and permitting procedures. For example, from June 1:

reduction of the number of documents submitted for the design, construction, operation and maintenance of telecommunications networks, obtaining licenses and permits for professional activities in the securities market, appraisal, veterinary and tourism activities;

the license requirement for the mandatory amount of the charter capital of the realtor organization is abolished, allowing the

provision of real estate services without advance payment;

granting the right to individuals who own cars to carry out commercial passenger transportation in the form of a linear taxi as an individual entrepreneur;

granting individual entrepreneurs the right to obtain a permit for mobile trade, valid for a period not exceeding 12 months (a single permit gives the right to conduct mobile trade in several places);

Sixth, all licenses, except for licenses related to the circulation of narcotic drugs, psychotropic substances and precursors, as well as the distribution of radiotelephone (cellular) communications and television and radio broadcasting, shall be issued for an indefinite period of time;

Seventh, if the licensing authority does not decide to grant or refuse to grant a license during the period of consideration of the application for a license, it can be stated that after the expiration of this period, the plaintiff has the right to carry out the type of activity specified in the application.

Dramatically reducing the number of licenses and permits, reducing the list of required documents, simplifying administrative procedures and increasing their transparency by optimizing the timing and value of administrative procedures, conduct surveys in the target audience, implementing best international practices in this area. The process of studying, consulting with the business community and analyzing their impact on the competitive environment on the basis of the involvement of leading international experts is still being carried out in a dynamic manner.

¹¹ <https://lex.uz/docs/3676955>

It should be noted that the first results of the reforms implemented in the framework of the Action Strategy for the liberalization of public administration and the transition to a market economy in our country show positive changes in international rankings, which constantly analyze the process of effective economic governance.

In particular, our country has risen from 152nd to 140th place in the ranking of **"2019 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 trade¹².

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.

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