



REGULATING THE REVENUES OF LOCAL BUDGETS THROUGH INTER-BUDGETARY RELATIONS

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Article history:	Abstract:
<p>Received: 20th February 2025 Accepted: 14th March 2025</p>	<p>The article describes the procedure for the formation of local budget revenues and the scientific and practical basis of inter-budgetary relations in strengthening local budget revenues. Regulation of local budget revenues is based on the functioning mechanism of inter-budgetary relations, as well as transfers allocated to local budgets, ways of strengthening local budget revenues through them. Based on the conducted research, scientific proposals and conclusions were formed.</p>

Keywords: inter-budget relations, local budget revenues, local budget expenditures, targeted transfers, tax revenues, regulatory inter-budgetary transfers.

INTRODUCTION

In the new stage of economic reforms being implemented in the republic, aimed at enhancing the competitiveness of the national economy and further strengthening macroeconomic stability, there is an emerging need to reform the public finance system and improve it in terms of content and quality based on the demands of the modern era.

In recent years, large-scale measures have been implemented to ensure the proportionality of revenues and expenditures within the components of the budget system.

In Uzbekistan, effectively organizing inter-budgetary relations is of great importance in increasing the revenues of local budgets and ensuring the sustainable development of regions. In our country, fundamentally strengthening and decentralizing the revenue base of local budgets is crucial for the comprehensive development of regions, enhancing the financial independence of local government bodies, supporting the development of small businesses and private entrepreneurship, creating new job opportunities, ensuring employment for the population, and expanding the tax potential through the rapid development of social infrastructure. These issues have gained urgent significance today.

At present, the low capacity to effectively cover local, particularly due to the fact that many regions' local budgets are unable to fully finance their expenditures from their own revenues and are experiencing a need for various financial resources from the higher budget, increasing the revenues of local budgets in these regions and ensuring their economic

development based on this has become a pressing issue.

LITERATURE REVIEW

A number of studies have been conducted by economic scholars regarding the fundamental strengthening of the revenue base of local budgets, achieving proportionality between their revenues and expenditures, and enhancing the authority of local government bodies.

A number of economists have approached the mechanism of tax revenue distribution from the perspective of ensuring the balance and stability of budgets within the budget system, as well as the methods and tools for forming funds and the assignment of responsibilities.

Globally, particularly in federal states, there are no uniform rules or requirements for shaping inter-budgetary relations. On the contrary, global experience demonstrates the existence of diverse models of inter-budgetary relations. For example, in the United States, each type of tax is specifically assigned to a particular component of the budget system, and states compete to attract investors to increase budget revenues, with



redistribution mechanisms playing a less significant role in this process¹.

In Germany, on the other hand, within the framework of the budget equalization mechanism, developed regions transfer funds to support less developed regions².

The most important criteria for the effectiveness of any budget federalism model are the coordination of economic, social, political, and other interests at various levels of governance, which ultimately reflects the quality and level of budget services provided to the population³.

In our country, to ensure a balance between the revenues and expenditures of local budgets, republican taxes are fully or partially assigned to local budgets. For this reason, in financial theory and practice, local budget revenues are often categorized and expressed as assigned revenues and regulated revenues.

Today, increasing the revenues of local budgets and ensuring their sustainable development by implementing measures to enhance the financial independence and responsibility of local government bodies, and developing and widely applying scientifically grounded proposals and practical recommendations based on this, a systematic approach to this issue has gained significant importance.

METHODOLOGICAL RESEARCH

In studying the procedure for forming local budget revenues and the current state of inter-budgetary relations in strengthening local budget revenues, methods such as scientific research, logical thinking, systematic analysis, scientific abstraction, statistical analysis, and comparison have been utilized.

A number of economists have approached the mechanism of tax revenue distribution from the perspective of ensuring the balance and stability of budgets within the budget system, as well as the methods and tools for forming funds and the assignment of responsibilities.

ANALYSIS AND RESULTS

Local budgets constitute an important component of the state budget of the Republic of Uzbekistan and serve as a key financial resource for the activities of local government bodies. Local budgets enable a more comprehensive fulfillment of local needs and demands while also facilitating the implementation of measures carried out centrally by the state in a closely interconnected manner. Local government bodies are tasked with increasing local budget revenues and ensuring the efficient and economical use of resources.

Table 1
Dynamics of changes in local budget revenues⁴ (in billion soums)

t/r	Regions	2018 y	2019 y	2020 y	2021 y	2022 y	2023 y	2024 y
1	Reppublic of Karakalpakstan	1 436,9	2 683,5	2743,9	1869,2	2 499,5	2 843,7	3 069,4
2	Andijan region	1 290,0	1 912,7	2105,9	2418,5	3 246,4	3 931,3	4 087,3
3	Bukhara region	1 226,1	2 266,6	1782,9	2374,1	3 425,3	3 792,0	4 232,4
4	Jizzakh region	741,7	1 106,2	1058,0	1460,4	1 822,7	2 227,9	2 415,6
5	Kashkadarya region	1 909,9	3 493,7	2468,8	2722,1	3 920,0	4 607,6	4 879,1
6	Navaiy region	860,0	1 495,8	1540,9	1948,9	2 433,0	3 039,4	2 904,1
7	Namangan region	1 088,4	1 784,7	1763,0	2297,0	3 265,4	3 516,8	3 564,7
8	Samarkand region	1 637,5	2 270,9	2385,6	3154,7	4 197,7	5 100,1	5 191,7
9	Surkhandarya region	1 052,1	1 657,2	1605,7	1993,2	2 670,6	3 043,0	3 104,5
10	Sirdarya region	535,0	736,3	716,5	881,6	1 147,8	1 390,3	1 502,1
11	Tashkent region	1 692,5	3 169,0	2395,5	3734,1	4 526,0	6 024,1	5 667,9
12	Ferghana region	1 588,0	4 038,1	2677,3	3665,1	4 778,5	5 169,3	5 399,0
13	Kharazm region	892,6	1 232,1	1302,7	1743,1	2 384,2	2 740,7	2 879,0

¹ Arzaghi, M. & Henderson, J. (2005). Why Countries Are Fiscally Decentralizing. *Journal of Public Economics*, 7(89),1157–1189.

² Oates, W. (1994). *Federalism and Government Finance*. Cambridge, Mass.: Harvard UP, 128.

³ Weingast, B. R. (2009). Second Generation Fiscal Federalism: The Implications of Fiscal Incentives. *Journal of*

Urban Economics, 65, 279–293. Breton, F. (1996). *Competitive Governments: An Economic Theory of Politics and Public Finance*. Cambridge University Press, 195.

⁴ Prepared by the author based on data from the Ministry of Economy and Finance of the Republic of Uzbekistan.



14	Tashkent city	2 379,0	3 236,2	3156,3	4911,4	7 073,2	8 112,4	9 163,3
Throughout Republic of Uzbekistan			18 329,7	31 083,0	27702,9	35173,4	47 390,3	55538,6

In 2018, the actual revenue of local budgets amounted to 18,329.7 billion soums, while by 2019, the execution of local budget revenues reached 31,083.0 billion soums, with the planned targets for that year being fulfilled at 117.7 percent.

Under paragraph 34, subparagraph 'd' of the Decree of the President of the Republic of Uzbekistan No. PQ-4086 dated December 26, 2018, the Supreme Council of the Republic of Karakalpakstan, regional councils of people's deputies, and the Tashkent city council of people's deputies were granted the authority to cover the shortfall in expenditures through the redistribution of surplus revenues formed during the planning of individual district and city budgets across budget levels.

In 2019, in accordance with the decisions of regional councils of people's deputies and local government bodies, local budget revenues and expenditures were increased by equal amounts: in Navoi region by 60.0 billion soums, in Samarkand region by 26.0 billion soums, in Surkhandarya region by 42.8 billion soums, in Tashkent region by 60.0 billion soums, and in Tashkent city by 73.9 billion soums.

In 2020, the actual revenues of local budgets amounted to 27,702.9 billion soums, in 2021 to 35,173.4 billion soums, in 2022 to 47,390.3 billion soums, in 2023 to 55,538.6 billion soums, and in 2024 to 58,060.1 billion soums.

As evident from the table data, over the analyzed years, local budget revenues have increased by nearly 3.2 times. This, in turn, has a positive impact on ensuring the financial stability of local budgets.

We will analyze the process of socio-economic development of regions through local budgets, including the dynamics of changes in local budget expenditures across the regions of our republic.

Table 2
Dynamics of changes in local budget expenditures⁵ (in billion soums)

t/r	Regions	2018 y	2019 y	2020 y	2021 y	2022 y	2023 y	2024 y
1	Reppublic of Karakalpakstan	2681,6	2 683,5	3 540,5	4 376,5	5 940,3	6 864,3	5 147,3
2	Andijan region	2925,1	3 292,0	3 708,9	4 911,0	6 869,8	8 198,2	6 001,0
3	Bukhara region	2186,6	2 266,6	3 095,0	4 079,6	5 357,7	6 002,5	4 593,6
4	Jizzakh region	1849,3	1 836,8	2 056,3	2 927,1	3 928,5	4 694,9	3 304,3
5	Kashkadarya region	2994,9	3 493,7	4 606,8	6 097,3	8 812,2	10 585,8	5 806,2
6	Navaiy region	1571,4	1 495,8	1 816,6	2 629,3	3 470,7	4 067,0	3 086,6
7	Namangan region	2602,0	3 096,9	3 775,5	4 955,0	6 924,5	8 163,9	5 548,6
8	Samarkand region	3500,2	4 031,8	3 811,7	5 898,1	7 898,6	8 830,8	6 780,2
9	Surkhandarya region	2590,7	2 872,0	3 246,1	4 782,0	6 527,9	7 984,7	4 937,3
10	Sirdarya region	1184,6	1 217,4	2 375,6	2 138,8	2 671,1	3 190,5	2 403,8
11	Tashkent region	3023,2	3 169,0	3 381,4	4 982,9	6 849,0	7 843,8	6 185,3
12	Ferghana region	3319,9	4 038,0	4 134,4	5 865,8	8 749,0	9 939,8	7 342,6
13	Kharazm region	1835,8	2 116,4	2 276,1	3 347,0	4 488,2	5 679,1	4 082,8
14	Tashkent city	3770,4	3 236,2	5 414,7	9 243,8	10 577,5	10 597,9	9 677,2
Throughout Republic of Uzbekistan		36035,7	38 846,1	47 239,6	66 234,2	89 065,0	102643,2	74896,8

In 2018, local budget expenditures were planned at 32,071.5 billion soums, with actual execution reaching 36,035.7 billion soums, achieving 112.4% of the plan. Planned local budget expenditures were exceeded across all regions of the country. Notably, high performance indicators were recorded in Tashkent city (124.1%), Navoi region (124%), the Republic of Karakalpakstan (123.4%), Jizzakh region (116.6%), and Bukhara region (113.9%).

In 2019, clarified local budget expenditures were planned at 48,267.5 billion soums, while actual expenditures amounted to 52,049.7 billion soums, with execution reaching 107.8% of the plan. In terms of regional breakdown, the

⁵Prepared by the author based on data from the Ministry of Economy and Finance of the Republic of Uzbekistan.



highest shares were observed in Navoi region (116.5%), Tashkent city (112.7%), Andijan region (111.6%), Bukhara region (110.1%), the Republic of Karakalpakstan (109.5%), and Namangan region (107.9%).

In 2020, clarified local budget expenditures were planned at 45,034.5 billion soums, with actual expenditures reaching 47,190.8 billion soums, achieving an execution rate of 105%. The highest expenditure shares were recorded in Tashkent city (111%), Navoi region (108.0%), Jizzakh region (107.0%), and Bukhara and Surkhandarya regions (106.0%).

In 2021, local budget expenditures were planned at 57,148.7 billion soums, with execution reaching 114.7%, amounting to 65,534.9 billion soums.

In 2022, actual local budget expenditures amounted to 89,065.0 billion soums, while in 2023 they reached 102,634.2 billion soums, and in 2024 expenditures totaled 74,896.8 billion soums.

Over the analyzed years, local budget expenditures increased by more than 2.1 times, with the highest growth rate observed in 2023.

The normative amounts of allocations from regulatory revenues are used to distribute taxes, state duties, fees, fines, and other payments between the republican budget of the Republic of Uzbekistan, the republican budget of the Republic of Karakalpakstan, regional budgets, the city budget of Tashkent, and district and city budgets to ensure a balance between their revenues and expenditures.

In our republic, the main revenue sources for local budgets, which are considered the primary income base for local government bodies, are assigned taxes and fees. However, the problem lies in their inability to fully finance local budget expenditures. Therefore, a system of allocations from taxes to local budgets—either fully or partially from regulatory taxes—has been established. Although this has somewhat increased the authority of local government bodies in this regard, their powers over taxes and fees remain somewhat limited from a legislative perspective. In practice, however, a system exists to oversee all taxes and fees collected within their jurisdictions. It should be emphasized that further clarification of the powers of various government bodies over taxes and fees, particularly by enhancing the authority of local government bodies in this area, should be identified as a key direction in improving our republic's tax system.

Although a number of measures have been implemented in recent years to stabilize local budget revenues, the issues related to their formation have not been fully resolved. In our view, solutions to these problems can be achieved by increasing the tax potential of regions and implementing regional tax policies.

Currently, the inability of several regions in our republic to finance local budget expenditures from their own revenues necessitates funding through various financial assistance from higher budgets.

Table 3
The share of transfers in local budget expenditures⁶ (in percentage)

t/r	Regions	2018 y	2019 y	2020 y	2021 y	2022 y	2023 y	2024 y
1	Reppublic of Karakalpakstan	17,4	0,0	22,5	57,3	57,9	58,6	40,4
2	Andijan region	40,3	41,9	43,2	50,8	52,7	52,0	31,9
3	Bukhara region	15,9	0,0	42,4	41,8	36,1	36,8	7,9
4	Jizzakh region	35,7	39,8	48,6	50,1	53,6	52,5	26,9
5	Kashkadarya region	14,1	0,0	46,4	55,4	55,5	56,5	16,0
6	Navaiy region	13,9	0,0	15,2	25,9	29,9	25,3	5,9
7	Namangan region	44,3	42,4	53,3	53,6	52,8	56,9	35,8
8	Samarkand region	37,7	43,7	37,4	46,5	46,9	42,2	23,4
9	Surkhandarya region	44,0	42,3	50,5	58,3	59,1	61,9	37,1
10	Sirdarya region	33,6	39,5	69,8	58,8	57,0	56,4	37,5
11	Tashkent region	18,1	0,0	29,2	25,1	33,9	23,2	8,4
12	Ferghana region	39,4	0,0	35,2	37,5	45,4	48,0	26,5
13	Kharazm region	36,8	41,8	42,8	47,9	46,9	51,7	29,5
14	Tashkent city	0,0	0,0	41,7	46,9	33,1	23,5	5,3

⁶ Prepared by the author based on data from the Ministry of Economy and Finance of the Republic of Uzbekistan.



Average	28,1	20,0	41,4	46,9	46,8	45,9	22,5
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Until 2018, financial assistance in the form of subsidies and subventions was provided to local budgets. Starting that year, a system of allocating targeted transfers to the local budgets of regions in our country was introduced, replacing the aforementioned financial assistance.

In 2018–2019, targeted transfers were allocated to local budgets, while starting in 2020, regulatory transfers have been provided.

In 2018, targeted transfers amounting to 7,155.7 billion soums were allocated to the local budgets of 13 regions, excluding Tashkent city. In 2019, 7,763.1 billion soums were allocated to the local budgets of seven regions, namely Andijan, Jizzakh, Namangan, Samarkand, Surkhandarya, Syrdarya, and Khorezm regions.

By 2020, transfers totaling 19,536.7 billion soums were allocated to the local budgets of all regions in our republic, while in 2021, a total of 31,061.2 billion soums in regulatory transfers were provided.

In 2022, transfers amounting to 41,674.8 billion soums were allocated to local budgets, while in 2023, 47,104.6 billion soums were provided, and in 2024, it is designated that 16,836.7 billion soums will be allocated.

For 2025, the revenue forecast for the budget of the Republic of Karakalpakstan, the regions, and the local budgets of Tashkent city is estimated at 65.8 trillion soums, while the expenditure forecast is set at 84.3 trillion soums. Additionally, it is planned to transfer 18.5 trillion soums in regulatory inter-budgetary transfers from the republican budget to local budgets⁷.

From the data, we can see that in 2018–2019, transfers were not allocated to some local budgets, whereas starting from 2020, regulatory transfers have been provided to the local budgets of all regions in the country.

From the table data, it is evident that the amount of transfers allocated to local budgets has been increasing year by year, and their share in expenditures has correspondingly risen. This is related to the fact that local budget expenditures exceed their revenues.

Today, to strengthen the potential of local budgets, it is necessary not only to legally define the composition of taxes and payments assigned to local budgets but also to analyze the dynamics of the share

of nationally significant taxes in local budget revenues and further improve this aspect.

CONCLUSIONS AND RECOMMENDATIONS

At present, improving the efficiency of local budget execution and utilizing their potential require addressing several interrelated issues. These include:

- Identifying effective ways to increase the financial resources of local budgets and developing a scientifically grounded mechanism to strengthen their own revenue bases;
- Encouraging local budgets to consistently strengthen and increase their own revenues;
- Ensuring the unity of budget-tax policy and achieving this alignment in the planning of local budget revenues and expenditures;
- Enhancing the relationships between budget components to increase the interest of local budgets, which are currently being granted broader rights and obligations, in order to improve their motivation.

One of the most important issues today is the coordination of inter-budgetary relations and the utilization of their economic potential.

Additionally, another significant issue today is the introduction of medium-term budgeting in the formation of local budgets. Medium-term planning of local budgets facilitates the socio-economic development of regions, the growth of gross regional product, and the effective financing of various sectors and industries within the regions. It also improves the mechanisms for planning their main expenditure directions and designated activities⁸.

In the current context of enhancing economic development, there is a growing need to strengthen the role of local government authorities in the socio-economic and financial management of their respective territories. This need, in turn, creates opportunities to address the challenges local authorities face in sourcing and increasing financial resources.

To increase the revenues and ensure the stability of local budgets, it is essential to enhance the role of local government bodies and local councils in developing a mechanism for distributing tax revenues between the republican and local budgets. This process should be improved based on an assessment of the ratio

⁷ <https://review.uz/oz/post/Ozbekiston-Respublikasining-2025-yil-uchun-byudjet-rejalari-iqtisodiy-va-ijtimoiy-rivojlanish-strategiyasi>

⁸ Мамаджанов И, Топаров Қ, Ўроқов У, Г'айбуллаев О. Ўрта муддатли бюджет. Наманган шаҳар бюджети мисолида. /Услубий қўлланма. Тошкент.: -Бақтрия пресс. 2017 й. 206 бет.



of tax revenues collected in the regions and transferred to the republican budget.

It is well known that local budget revenues are allocated to promote regional socio-economic development, provide quality education and healthcare services, and improve regional infrastructure. The greater the amount of funding allocated to these sectors or services, the more it contributes to improving their quality and achieving socio-economic progress in the regions.

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