

Foreign Experience in Assessing the Impact of the System of Inter-Budgetary Relations on the Level of Interregional Differentiation

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Abstract: The article describes the types of models of inter-budgetary relations classified in world practice, analyzes the foreign experience of the organization of the system of inter-budgetary relations, as well as their assessment at the level of interregional differentiation. It is concluded that there is no direct connection between the size of the transfer and the level of socio-economic development of the regions, which, in our opinion, is due to the fact that if all subjects are recipients of transfers or if the variation in the level of development of regions receiving transfers differs little from the variation in regions not receiving transfers, then interregional inequality is unlikely to change under the influence of these transfers.

Keywords: local budget, regional development, tax benefits, economic growth, standard of living of the population, polarization.

Introduction. The issues of the distribution of competence between government bodies of various levels, first of all, the issues of the functioning of self-government bodies, the effective implementation of their tasks, the formation of a reliable and stable revenue base of local budgets, the equalization of regional incomes, as well as the conditions and mechanisms for providing them with financial assistance, are relevant in all countries of the world and at all times.

The experience of forming local budgets of countries with developed and transformational economies shows that in every country of the world the structure of local budgets has national characteristics, depending on the nature of the state structure, the structure of the economy. At the same time, one of the main features of the formation of budgets of developed countries is the principle of budgetary decentralization, the implementation of which contributes to the construction of effective relationships between central and local governments, contributes to the increase of economic responsibility and efficiency.

Methods. General scientific logical methods of analysis and synthesis, induction and deduction, statistical data processing were used in the research process. The information base of the study was the materials of domestic and foreign research institutions, international organizations.

The results of the study. In modern foreign science, there are two main approaches to the regionalization of taxation: "functional" and "optimization".

Proponents of the first approach believe that only the state can develop and implement economic policy, since it is responsible for macroeconomic stability and maintaining social standards.

They recognize that it is more effective to concentrate some types of income at the local level, but, in their opinion, the criteria for allocating budget funds should be determined by the social and political goals set by the state.

The developers of the "optimization" approach focus on the problem of the effectiveness of the provision of public goods (V. Baumal, W. Oates, C. Tibu, etc.). They proceed from the fact that the central authorities, due to the effect of information asymmetry, are unable to really assess either the preferences of citizens or the local costs of providing social services. Focusing on the actual level of demand makes it possible to abandon redundant services and save budget funds and the costs of their mobilization. Proponents of the "optimization" approach believe that in the absence of cost savings from the centralized provision of public goods, the level of public welfare is higher if effective levels of consumption are provided in each territorial entity than if a single, standard level of consumption is maintained for all territories. They believe that local governments are objectively interested in improving the well-being of the territorial community, and not in inflating the budget [1].

Modern foreign authors recognize that the system of inter-budgetary relations can contribute to an increase in the level of interregional differentiation. They argue that the redistribution of financial resources between regions through inter-budget transfers can lead to unequal development. Regions with an already high level of development will receive more funds, while less developed regions may be at a greater disadvantage.

However, other authors believe that the system of inter-budgetary relations has a positive impact on the level of interregional differentiation. They argue that the redistribution of financial resources can help reduce differences between regions and eliminate inequality. If implemented correctly, the system of inter-budgetary relations can stimulate the development of less developed regions and contribute to a more even distribution of wealth and opportunities.

In general, the question of the influence of the system of inter-budgetary relations on the level of interregional differentiation remains the subject of active discussions among foreign authors. It is important to consider the specific conditions and characteristics of each system of inter-budgetary relations for a more accurate assessment of its impact on the level of interregional differentiation.

Inter-budgetary relations, being an integral part of the budgetary structure of the state, play a huge role in the implementation of the most important provisions formulated by the state for the future. There is no country in the whole world in which there would not be problems in establishing inter-budgetary relations between the center and the territories, as well as within the territories themselves.

The central element of the concepts of the organization of inter-budgetary relations is the theory of budgetary (fiscal) federalism. It is primarily based on the decentralization theorem of the American economist W. Oates [2], according to which the decentralized production of local public goods fully consumed by the population of a certain territory of the state, provided there are no economies of scale of production, is always more efficient or at least no less efficient than the production of such public goods at the state level. Efficiency is achieved due to the fact that the level of government, which is closer to the final consumer, is able to determine the needs of specific territorial communities of the country's population to a greater extent. The theorem and the mathematical model based on it allow us to quantify the benefits of decentralizing the production of public goods.

However, the question of the reasons for the uneven distribution, in which a certain community of preferences is achieved within the framework of administrative-territorial entities, but differences between territories are observed, in the model of U. Oates is not allowed.

The above problem is solved to a certain extent by the hypothesis proposed by the American economist Ch. Tibu [1], which consists in the assumption that economic agents tend to choose an

administrative-territorial unit for carrying out their activities, the level of production of public goods and the level of tax burden in which most correspond to their preferences ("voting with their feet").

The French economist A. Breton proposed the concept of competitive federalism [3], according to which competition as the basis of this type of federalism manifests itself not only at the subnational level, but also in the relationship of levels of power. Examples of interchangeable competitive markets of the private and public sectors are the health and education sectors, in which both public institutions and private organizations are equally represented. The system of inter-budgetary transfers is considered by Breton as a tool for creating equal conditions for competition of subnational authorities.

The issues of determining the effectiveness of the system of inter-budgetary relations are devoted to the work of many modern scientists, both far abroad and near. For example, Russian scientists believe that the need for fiscal alignment is based on the elimination of various fiscal benefits between regions that can lead to migration. Such a difference in fiscal benefits may arise as a result of the decentralization of tax collection and public spending. For example, differences in geographical, climatic, natural and raw materials conditions lead to differences in the capabilities of regions. Differences between regions in the demographic composition of the population leads to different needs for public services (education, health, social well-being) [4].

Analysis. The existing models of inter-budgetary relations are conditionally divided into three main types (Table 1).

Table 1. Types of models of inter-budgetary relations [5, 6]

The model of inter-budgetary relations	Features of the model	Advantages of the model	Disadvantages of the model
Chinese model	Regional authorities collect taxes and set rates, and the central government determines how much money to leave in the region	Regions are given a certain degree of autonomy and freedom in managing their income and expenses	1. There is no incentive system for regional authorities to increase revenues and rationalize expenditures. 2. Increasing the burden on the central budget
American model	There is a classic fiscal federalism, which involves the division of tax powers between federal, state and municipal levels of government	High economic efficiency and flexibility for the states in the formation of their budgets	The existence of problems related to the fragmentation of the tax system and potential financial inequalities between states
German model	The budget system is based on "general" taxes, the proceeds of which are distributed among all its levels. A partial redistribution of taxes is carried out, i.e. there is a differentiation of the standards of deductions	The model contributed to the emergence of a high degree of alignment of the budgetary provision of various lands. Thanks to its application, due to massive transfers to the lands of East Germany, the creation of a modern social infrastructure became real, it advanced entrepreneurial activity and allowed to stabilize public life in general.	Social justice is not achieved without some damage to economic efficiency

In the Chinese model of inter-budgetary relations, regional authorities collect taxes and set rates, and the central government determines how much money to leave in the region, the central government also receives tax payments. The lack of incentives for regional authorities can lead to insufficient efficiency and irrational use of budget funds. In addition, an increase in the burden

on the central budget may lead to an uneven distribution of budget resources and ultimately pose a threat to the financial stability of the system.

In the USA, the federation, states and municipalities have the right to set their own taxes, and they do not overlap between different levels of government. States and municipalities also have autonomous tax services that are responsible for collecting tax funds on their territory. The Federal Government does not provide for deductions from federal taxes to state budgets. The states are completely independent in the formation of revenue items of their budgets. This means that they can raise tax rates, introduce new taxes or issue bonds to finance their programs and projects. The only limitation is that states cannot apply for financial assistance from the federal government. Financial assistance from the federal Government is usually provided in the form of targeted subventions, which are directed to specific areas and projects identified by national priorities. This allows for a focused allocation of financial resources in accordance with the needs and objectives of each program or project.

The system of block grants and category grants used in the USA can be a useful experience for Uzbekistan in developing and improving its own model of inter-budgetary relations.

Block grants are provided to lower-level authorities in order to finance specific expenses defined in the grant agreement. This allows you to provide flexibility in the use of funds and adapt them according to the characteristics and needs of each region. Such a system makes it possible to optimize costs and achieve greater economic efficiency.

Categorical grants are provided to provide certain public services. They can be directed to various areas, such as healthcare, education, transport and others. This approach makes it possible to achieve a point focus on specific problems or needs of the population and provide a standard set of public services.

Strict target assignments and horizontal alignment in the allocation of funds make it possible to effectively use financial resources and achieve specific goals without unjustified redistribution of funds.

However, when implementing such a model, it is necessary to take into account the specifics and peculiarities of Uzbekistan, as well as to analyze the socio-economic context and the needs of the regions. The use of the US experience should be considered within the framework of national priorities and strategic planning for the development of Uzbekistan's regions.

The German model of federalism differs from the "competitive" approach inherent in other models and is based on the ideology of "cooperative" federalism. In this model, the budget system is based on general taxes collected at all levels of government and redistributes revenues between these levels. The purpose of this redistribution is to reduce the gap between rich and poor regions.

In the German model, direct financial assistance from higher budgets is small, but there is a practice of federal and joint regional development programs that provide significant funds for the development of individual regions. These programs are aimed at supporting infrastructure projects, social programs and other development priorities.

The allocation of spending powers in the German model is based on the principles of "classical" fiscal federalism. This means that the regions have a certain degree of autonomy in making decisions about the costs associated with their competencies.

In general, the German model of federalism seeks cooperation and cooperation between different levels of government and the redistribution of resources to ensure equal development conditions for all regions. She focuses on social justice and reducing the gap between different regions [5].

In developed countries, the basis of local budgets are the following taxes:

- property tax - is the main source of income for local budgets in countries such as the UK, USA, Canada, Portugal, Ireland and the Netherlands;
- income tax is the main part of local budget revenues in some countries, including the Nordic countries and Japan;
- mixed sources of income - in some countries, especially in Southern Europe, local budgets are formed by a combination of various sources of income, such as property taxes, income taxes, payroll taxes and others.

Abroad, despite the tendency to reduce the nomenclature of local taxes, countries where there are only a few of them are an exception. So, in France, 16 are charged, in Austria - 18, in Spain - 31, in Italy - more than 40, in Germany - 46, in the USA - 66, and in Belgium about 100 local taxes and fees. This makes it possible to make the overall tax burden psychologically less noticeable, reflect the diversity of income forms, and influence consumption and accumulation [7, 8].

The diversity of local taxes can also be useful to take into account the differences in economic status and needs of different regions. For example, in some regions there may be more taxes related to real estate, while in other regions there may be a greater concentration of taxes on businesses and profits.

Results. The analysis conducted in this study examines various models of inter-budgetary relations and their implications. The existing models are categorized into three main types: the Chinese model, the American model, and the German model. Each model exhibits distinct features, advantages, and disadvantages.

The Chinese model of inter-budgetary relations entails regional authorities being responsible for tax collection and rate-setting, while the central government determines the amount of funds to be allocated to each region. This model grants a certain degree of autonomy and freedom to regional authorities in managing their income and expenses. However, it lacks an incentive system for regional authorities to enhance revenue generation and rationalize expenditures. Moreover, an increase in the burden on the central budget may lead to an uneven distribution of budgetary resources and pose a potential threat to the overall financial stability of the system.

In contrast, the American model follows a classic fiscal federalism approach, which involves the division of tax powers between the federal, state, and municipal levels of government. This model offers high economic efficiency and flexibility for states in the formation of their budgets. However, it is accompanied by challenges such as the fragmentation of the tax system and the possibility of financial inequalities arising between states.

The German model of inter-budgetary relations is characterized by a cooperative federalism ideology. It is based on a budget system supported by general taxes collected at all levels of government, with a redistribution of revenues between these levels. This redistribution aims to reduce the disparities between affluent and less affluent regions. The German model has contributed to a significant alignment of budgetary provision among different regions. It has facilitated the development of a modern social infrastructure, stimulated entrepreneurial activities, and contributed to the overall stability of public life. However, it should be noted that achieving social justice through this model may come at the expense of some economic efficiency.

The analysis suggests that the United States' experience with block grants and categorical grants could be instructive for Uzbekistan in developing and improving its own model of inter-budgetary relations. Block grants provide flexibility in fund utilization, allowing for adaptation to the specific characteristics and needs of each region. Categorical grants, on the other hand, enable targeted provision of specific public services. The implementation of such a model in

Uzbekistan should consider the country's unique circumstances, socio-economic context, and regional requirements.

Furthermore, the diversity of local taxes in various countries is observed. For instance, some countries rely primarily on property taxes, while others place greater emphasis on income taxes or employ a combination of income sources. This diversity can be advantageous in reflecting the economic status and needs of different regions, ensuring a more tailored approach to taxation.

Discussion

The study confirmed the absence of a direct link between the size of the transfer and the level of socio-economic development of the regions, which may be one of the reasons why transfers do not have a statistically significant impact on inequality. This, in our opinion, is due to the fact that if all subjects are recipients of transfers, or if the variation in the level of development of regions receiving transfers differs little from the variation in regions not receiving transfers, then interregional inequality is unlikely to change under the influence of these transfers.

It should be borne in mind that inter-budget transfers are not the only tool to combat interregional inequality. In addition to them, there are other measures, for example, regional policy, investments, social programs, etc., which can also affect the level and quality of life in the regions. In addition, it is important to take into account that measuring the impact of inter-budget transfers on interregional inequality is a complex task that requires taking into account many factors. The impact of transfers can be delayed in time and manifest itself in the form of investments in human capital, infrastructure development, etc.

In our opinion, there are several reasons why the system of inter-budgetary relations may have a weak impact on the level of interregional differentiation:

- insufficient financial support: inter-budgetary relations may be insufficiently financially secured, which limits the regions' opportunities for financial growth and solving their problems. If the State does not allocate sufficient funds to support backward regions, then interregional differences may continue to exist and even increase.
- uneven distribution of resources: resources allocated through inter-budgetary relations may be unevenly distributed between regions. Some regions may receive a large share of the funds, while others may not receive enough. This can lead to an increase in interregional differences in development and living standards.
- insufficient efficiency and transparency of the system: the system of inter-budgetary relations may suffer from opacity and lack of efficiency in its work. This may hinder the effective allocation of funds and the implementation of development in backward regions. If the distribution and control mechanisms are not sufficiently transparent and effective, then interregional differences can last.
- lack of a comprehensive approach: inter-budgetary relations can be limited only by financial support, without comprehensive and targeted measures to stimulate the development of backward regions. It is important to take into account the differences in the potential and requirements of different regions and apply targeted programs, not just passive provision of funds.
- economic instability: if the economic situation in a country or region is unstable, then inter-budgetary relations may have a limited effect on the level of interregional differentiation. Economic instability can lead to a decrease in funding and limited opportunities for the development of backward regions.

All these factors can influence the weak influence of the system of inter-budgetary relations on the level of interregional differentiation. To eliminate these problems, it is necessary to take measures to improve financial support, increase transparency and efficiency of the system, introduce an integrated approach and eliminate economic instability.

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