



BUDGET SYSTEM OF UZBEKISTAN: DEVELOPMENT STAGES AND CURRENT REFORMS

After gaining independence in 1991, Uzbekistan began to develop and implement its own model of the budget system. Similar to other countries of the world, the primary task of this system is to ensure the efficient and rational use of public funds based on an appropriate regulatory framework. This is of great importance, since the state budget, along with other economic instruments available to the state, plays an important role in regulating the national economy and ensuring socio-economic growth. In this article, the history of Uzbekistan's budget system and the current stage will be evaluated.

The development of the budget system of Uzbekistan was implemented sequentially, in several stages. The first stage, which took place in 1992–1999, was the formation of the budget system in the context of the transition from an administrative-command planned economy to a market economy. That period was marked by a severe economic crisis since the collapse of the Soviet Union deprived Uzbekistan of established economic ties and significant financial transfers from the center, which reached 21% of GDP. A sharp decline in GDP led to a decrease in revenues to the country's budget and an increase in the budget deficit. While the revenue part of the budget was replenished through high tax rates, the expenditure side had a pronounced social orientation, since more than 60% of the expenses were social payments, benefits and subsidies. Due to significant inflation, the introduction of the national currency did not become the key to solving budget problems, and in the first years of independence, the country's budget was drawn up and adopted not for one year, but for a quarter.

At this stage, the primary task was to ensure macroeconomic stability and budgetary balance. Simultaneously with the creation of the legislative base of the budget system and the foundations of inter-budget relations, the government of Uzbekistan improved control over the process of execution of the state budget and expense financing. The state strengthened supervision over the efficient spending of earmarked budgetary allocations by enterprises, organizations and institutions. To reduce budget expenditures, the country's authorities began reforming the system of social protection in order to target the most vulnerable segments of the population.

It took the young state several years to suppress hyperinflation and achieve macroeconomic stability, which allowed to balance the revenue and expenditure parts of the budget. In the second half of the 1990s, Uzbekistan's GDP reached the pre-crisis level, and in the early

2000s, the GDP growth rate exceeded the population growth rate. In 2000–2005, the process of the state budget's formation and allocation was further improved, and control over the appropriate use of budget funds was further strengthened. This period can be identified as the second stage of development of Uzbekistan's budget system.

As part of this stage, the country made a transition from the banking system for the execution of the state budget, which was inherited from the USSR, to the treasury system. Under the banking system, budget execution is carried out by the Central Bank and commercial banks, while under the treasury system, the budget is executed by the treasury bodies, making payments on behalf and at the instruction of budget recipients. The drawbacks of the banking system were numerous violations of budget discipline, and the introduction of the treasury system was designed to significantly improve the quality and efficiency of budget execution. In addition, in order to reduce state budget expenditures, normative financing methods were introduced and a public procurement system was created, which made it possible to procure necessary goods of acceptable quality and at a minimum price.

During the third stage, which began in 2006 and continued until recently, the state fiscal system was further improved, in particular, the Treasury of the Ministry of Finance of Uzbekistan and its territorial units were created. In addition, the government implemented a reform of the country's budget legislation. To replace the law "On the Budget System", the Budget Code of the Republic of Uzbekistan was adopted at the end of 2013. The code became the fundamental document regulating relations in the field of formation, preparation, review, adoption, approval and execution of the state budget.

At this stage, the orientation of budget expenditures on performance became one of the key principles of the budget system in order to increase their efficiency. In other words, the government put an emphasis on the rational use of budget funds while constantly monitoring the financing process for designated programs across ministries, departments and other recipients. Another principle that was put at the forefront was the principle of responsibility of participants in the budget process, according to which each participant is responsible for own actions at each stage of the process.

Following Shavkat Mirziyoyev's rise to power, large-scale reforms, which are aimed at ensuring the country's comprehensive economic prosperity, are carried out in all

spheres of life of Uzbekistan. The budget system, which is experiencing a new stage in its development, is no exception. Thus, in August 2018, in order to increase the transparency of budget data, President Mirziyoyev adopted the decree "On Measures to Ensure Openness of Budget Data and Active Participation of Citizens in Budget Process". In particular, the document defines a new procedure for exercising parliamentary and public control over the formation and spending of budget funds.

In December 2019, President Mirziyoyev signed the law "On the State Budget of the Republic of Uzbekistan for 2020". It is remarkable that for the first time in Uzbekistan the state budget was adopted in the form of a law – previously, it used to be approved by a presidential decree. In accordance with the new status of the document, before being signed by the president, the law was adopted by the Legislative Chamber (lower house) and approved by the Senate (upper house) of the Oliy Majlis (parliament). It is also worth noting that for the first time the projected revenues and expenditures of the budget and special-purpose funds cover not just one year, but also contain targets for 2021–2022.

In accordance with the law, starting in 2020, a new budget system is being established in Uzbekistan, aimed at expanding the powers of the parliament and local councils of people's deputies, as well as at ensuring independence of local government bodies for generating revenues and using local budget funds. Thus, the chambers of the Oliy Majlis will approve expenditures of the state budget across ministries and departments, and local councils will approve expenditures of local budgets. In addition, the list of income types that remain completely at the disposal of local budgets has been expanded. A new budget calendar is also introduced, which will allow ministries and departments to plan programs and investment projects for the medium term.

In conclusion, it is worth noting that updating the budget system is only one of many measures taken by the government of Uzbekistan to ensure modernization of the national economy, increase investment attractiveness of the country and increase welfare of the population. Currently, the reforms initiated by President Mirziyoyev have slowed down due to the financial and economic crisis caused by the coronavirus pandemic. However, if the economic undertakings of the leader of Uzbekistan are carefully designed and sustainable, then they must withstand this test of strength.

Politics, Foreign Affairs, and Security

- The leaders of the Turkic Council member states held an extraordinary summit via videoconference on the theme of “Solidarity and Cooperation in the Fight against COVID-19 Pandemic”. President of Azerbaijan Ilham Aliyev, the chairman-in-office of the organization, initiated the summit, which was also attended by Director-General of the World Health Organization (WHO) Tedros Adhanom Ghebreyesus. The parties emphasized their determination to expand cooperation in fighting the epidemic and overcoming its consequences (Turkic Council, 10.04.2020).
- The Senate of Kazakhstan ratified the intergovernmental agreement with the United States that regulates issues related to the provision of diplomatic immunities and privileges to consular employees and members of their families. The document will grant diplomats, on a reciprocal basis, jurisdictional immunities and exemptions from taxes, fees and duties in accordance with the Vienna Convention on Diplomatic Relations of 1961 (Kazinform, 09.04.2020).
- During a working trip to the Zaporizhia region, President of Ukraine Volodymyr Zelensky became acquainted with the operational situation in the Sea of Azov and the development plan of the Ukrainian Navy’s base “Vostok” (East). The president examined the territory of the sea trade port in Berdyansk, where infrastructural facilities of the base will be constructed in 2020-2021. Currently, the Vostok military naval base is deployed in the coastal city of Nikolaev (Ukrinform, 11.04.2020).
- The vessels of Georgia’s Border Police and the ships of the Standing NATO Maritime Group 2 (SNMG2) conducted a joint training exercise in the Black Sea, as part of the SNMG2’s port visit to Georgia. In compliance with the recommendations of the WHO and the country’s National Center for Disease Control, the exercise only included ship maneuvers without crew interactions. To prevent the spread of the COVID-19 disease, all public and cultural events scheduled for the visit were canceled (Georgia Today, 11.04.2020).
- Representatives of the United Nations and its divisions held a meeting in Ashgabat with officials from a number of government agencies of Turkmenistan. During the meeting, the participants discussed key issues of mutual interest. In particular, they exchanged views on preventive measures to combat the spread of infectious diseases, including through strengthening the resource base of the Turkmen healthcare system (MFA of Turkmenistan, 09.04.2020).
- Tajikistan introduced temporary restrictions on the entry and exit of foreigners and stateless persons through the country’s checkpoints. The decision to close the border was made to prevent the spread of coronavirus on Tajikistan’s territory. The restrictions do not apply to foreign diplomats and representatives of international organizations and financial institutions accredited in Tajikistan. However, after crossing the border they will have to undergo a mandatory 14-day quarantine (Sputnik, 10.04.2020).

Economy, Finance, and Energy

- The prime ministers of the EAEU member states and Moldova participated in a videoconference meeting of the Eurasian Intergovernmental Council. The parties discussed the measures taken to combat the spread of COVID-19, stabilize the economy and support the population and business. The meeting participants reviewed the draft Strategic Directions for the Development of Eurasian Economic Integration until 2025, the improved mechanisms for applying special protective, anti-dumping and countervailing measures, the development of electronic commerce, and other issues (Primeminister.kz, 10.04.2020).
- In its recently published outlook on two-year economic prospects of the five Central Asian states, the Asian Development Bank forecasted a sharp slowdown of their economies due to the coronavirus pandemic. According to the report, the drop of oil prices, deterioration of production, and stagnation of the tourism sector, combined with continuing acceleration of headline inflation, will affect the region. In particular, experts estimate that the economic growth in Kazakhstan will plummet in 2020 due to COVID-19 and reduced oil export earnings (Kazakh TV, 10.04.2020).
- As projected by the World Bank, the economy of Turkey will slow down in 2020. The GDP growth is expected at 0.5%, which is 3% lower than estimated prior to the current crisis. Declining energy prices, exchange rate pressures and monetary easing will affect the inflation rate, which is forecasted at 11%. However, the economy should recover in 2021, with the GDP growing by 4% and inflation falling to 9% (Daily Sabah, 09.04.2020).
- According to the World Bank’s revised economic forecast, after a projected 0.2% decline in 2020, Azerbaijan’s economy will steadily grow in 2021-2022. The real GDP growth in 2021 is expected at 2.2%, with further acceleration to 2.4% in 2022. The country’s agricultural sector, which will grow by 5.5% in 2020, is forecasted to stay stable, with a 5.4% growth in both 2021 and 2022. After falling by 1% in 2020, industrial production will grow by 0.7% and 0.1%, respectively, in the next two years (World Bank, 08.04.2020).
- To date, Ukraine exported a record high of 47 million tons of grains in the 2019-2020 season, which is 21% higher than during the previous season. The reported export volume included 18.1 million tons of wheat, 24 million tons of corn and 4.4 million tons of barley. However, the government has recently imposed restrictions on wheat exports amid concerns about bread prices and adequate supplies at the domestic market arising from the coronavirus pandemic (Reuters, 08.04.2020).
- The Ministry of Agriculture and Food of Belarus and the working committee of the Chinese Association of Small and Medium Enterprises signed a memorandum of intent on strategic cooperation for a period of five years. The document provides for exports to China of agricultural products and food, as well as raw materials for traditional Chinese medicine. The Chinese side will assist in the creation of a platform for the supply of Belarusian products to China and in the search for Chinese business partners (BelTA, 08.04.2020).

Society and Culture

- According to the Turkish Ministry of Culture and Tourism, Azerbaijan and Turkey submitted a joint application for inclusion of the balaban (cylindrical-bore, double-reed wind instrument) in the UNESCO Cultural Heritage List. In addition, Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan jointly applied for the inclusion of joke stories about Molla Nasreddin in the list (Trend, 06.04.2020).
- The Tashkent State Pedagogical University hosted a videoconference on Amir Timur’s role in the world history. More than 130 professors and students of twenty Uzbek higher education institutions participated in the event to discuss ongoing and future research of Amir Timur’s life and heritage. The participants exchanged recommendations on methods to apply in the study of socio-political and economic life of the epoch of the Timurids (UzA, 11.04.2020).
- Uzbekistan sent humanitarian aid to Tajikistan in order to help the neighboring country in preventing the spread of COVID-19. A train loaded with protective overalls, goggles, liquid sodium hypochlorite, respirators, gloves, pyrometers, and flour products departed from the Surkhandarya region of Uzbekistan to Dushanbe. During the coronavirus pandemic, Uzbekistan has already provided humanitarian assistance to Afghanistan, China, Iran, and Kyrgyzstan (UzA, 09.04.2020).
- As part of China’s assistance to Kazakhstan in the fight against coronavirus, 10 Chinese medical doctors arrived in Nursultan, bringing along about 5.5 tons of humanitarian aid. The Chinese specialists visited the National Public Healthcare Centre of Kazakhstan’s Ministry of Health where they were familiarized with the current epidemiological situation in the country and the measures taken to contain the spread of COVID-19. The doctors will stay in Kazakhstan for 15 days and visit several regions in order to share their experience with local medical staff (Tengrinews; Kazinform, 10.04.2020).
- The United States allocated more than \$920,000 in health assistance to Turkmenistan as the Turkmen government takes steps to protect the country against the COVID-19 pandemic. The funds will be used to prepare laboratory systems, strengthen epidemiological surveillance, activate search and early identification of disease cases, and support technical experts for response and preparedness. The U.S. Embassy and Turkmen authorities also cooperated in the repatriation of U.S. citizens from Turkmenistan to the United States via a charter flight (U.S. Embassy in Turkmenistan, 06.04.2020).
- Georgia demonstrates one of the best results in curbing the spread of COVID-19 as it ranks 109th worldwide and 50th in Europe in terms of morbidity and mortality caused by the virus. In Europe, only Lichtenstein, Monaco and the Vatican have less infection and death cases than Georgia. Since February 2020, Georgia has had 195 people infected with coronavirus, 39 of whom have recovered and two have died (Agenda.ge, 07.04.2020).