



THEORETICAL AND LEGAL BASIS OF INITIATIVE BUDGETING IN THE BUDGET SYSTEM

Muzaffarov Mukhammadjon Makhmud ugli
Department of Budget Accounting and Treasury
Tashkent State University of Economics, Tashkent, Uzbekistan
muhammadjonmuzaffarov7@gmail.com
ORCID: 0009-0006-8005-8035
Tel: +998907157625, UO`K 336.13.051, JEL: H72.

ABSTRACT

This article covers the theoretical foundations of initiative budgeting, the peculiarities of initiative budgeting in international experience. In the field of public finance, the impact of initiative budgeting on the state budget and its role in controlling budgetary funds have been studied. Projects carried out by the author through initiative budgeting in the regions have been studied and analyzed. Uzbekistan has been integrating participatory budgeting into its public financial management system since 2019 to enhance citizen involvement in fiscal decision-making. While progress has been made, challenges remain in ensuring efficiency, equity, and transparency. This study examines the evolution of participatory budgeting in Uzbekistan, assesses its effectiveness, and proposes strategies for its optimization.

KEY WORDS

Initiative budgeting,
participatory
budgeting, state
budget, open budget
portal, budget funds,
budget openness,
projects.

Introduction

From international experience, we can see that the participation of citizens in the budget process serves to ensure openness and transparency, increase public control and, as a result, increase the efficiency of the activities of state bodies and prevent corruption. Since the middle of the 20th century, the participation of citizens in the process of distribution of budgetary funds has been carried out in many states with democratic forms of government. But in the 80s, this practice developed and began to actively use various technologies, developing and implementing various innovative projects and programs based on public participation in the adoption of decisions related to local development and the direct implementation of these decisions in most states.

In modern cities today, there are many life problems. Initiative budgeting plays an important role in solving these problems by ensuring the effective development of democracy. Initiative budgeting, which incorporates democratic elements such as citizen participation in making budget decisions, increasing responsibility and transparency, is an attempt to solve urban problems by strengthening the connection between citizens and representatives at the local level and creating an organized society. In

this way, it can be used as a tool to promote different types of sustainability in the political, economic and social spheres. This research is aimed at presenting the concept, emergence, activities and results of initiative budgeting[1].

In the World, initiative budgeting is a citizen-oriented administration and belongs to issues such as improving the quality of management, strengthening responsibility, transparency in the provision of public services and mechanisms to ensure more quality of participation are guided.

In 1999, the number of initiative budgeting was very low. By 2005, the number of cases in Europe had risen to 55. This trend continued to grow. By 2009 the number had grown to over 200, mainly due to the sharp growth in Italy, but also in Spain and Portugal. Lisbon was the first European capital to have Initiative budgeting with an electronic vote of approximately 548,000 residents across the city. Initiative budgeting also began in Northern Europe from 2008 (Norway and Sweden, then in 2010 Iceland and Finland in 2012).

Several types of methodologies are used in the budget policy of the countries of the world, aimed at ensuring the effectiveness of expenses. The main goal pursued by them is to achieve high results in the formation of budget revenues and the use of their expenses. For example, it is a methodology aimed at planning budget expenses with a focus on the results of activities. Its essence is to direct budgetary funds to achieve the set goals on a nationwide scale. In the implementation of budget policies through this methodology, the financial strategy is carried out not in the cross section of territories, but in the cross section of areas. The. when developing a financial strategy, it is necessary to introduce methodologies that allow taking into account the territorial nature.

In December 2020, in the address of the president of the Republic of Uzbekistan to the Supreme Assembly, it was established that “it is necessary to develop territories in a complex way, to create suitable living conditions for the population” [2]. Today, at the center of consistent reforms on Budget-Tax Policy, it is an important task to increase the efficiency of income and expenses of the budget.

The category of initiative budgeting-implies the participation of citizens in the formation of territorial budgets. In this case, priority areas of expenses planned to be carried out are established, having passed the citizens ' discussion. Of course, sufficient conditions must be created in advance for the openness of the budget. The reason is, if the principle of openness of the budget does not exist, it becomes more complicated to achieve the participation of citizens in the processes of initiative budgeting. Although the practice of initiative budgeting has not been fully formulated in Uzbekistan, a number of reforms have begun to be implemented. In particular, with the adoption of the Budget code of the Republic of Uzbekistan, the principles of the budget in force were expanded and improved. The law of the Republic of Uzbekistan on the budgetary system (adopted in 2000), which was in force until 2014, did not include “openness” in the structure of budgetary principles. As of 2014, this principle of “openness” is reflected in Article 7 of the newly adopted budget Code[3]. As a result, legal foundations of transparency were created in the implementation of budgetary policies in our country. At the same time, the decision of the president of the Republic of Uzbekistan dated August 22, 2018 No. PD-3917 “on measures to ensure the openness of budgetary data and active participation of citizens in the budget process” serves to further accelerate reforms in this regard. With this document, special emphasis was placed on two aspects of Budget Policy. In particular, the launch of the open budget portal and the implementation of the method of directing 10% of the additional earned funds of local budgets on the basis of citizens ' appeal marked a new stage[4].

By the decision of the president of the Republic of Uzbekistan dated April 4, 2021 PD-5072 “on additional measures to ensure the active participation of citizens in the budget process”, citizens have the opportunity not only to control the processes of budget formation, but also to participate in their expenditure, starting from the process of formation of budgetary funds. In order to expand public participation in the process of budget formation, a new procedure was introduced in stages in districts and cities to focus 5% of the approved total costs in the respective budgets on the financing of events formed on the basis of public opinion. In 2021, this procedure was introduced in one district or city in each region of the Republic (total 14), since January 1, 2022, this procedure has been introduced in all districts and cities of Uzbekistan. In addition, since July 1, 2021, the minimum amount of additional funds of the district and city budgets, allocated to the financing of events formed on the basis of public opinion, has been increased from 10 percent to 30 percent[5].

Literature Review

Scientific research on the effective use of financial resources through initiative budgeting in the conditions of reforming public finance is widely carried out on a global scale. The first wave of widespread interest in partisan budgeting arose with Latin American data. In fact, neighborhood movements in Porto Alegre originated in the 1970s. The people of the poor districts revolted against the government's lack of interest in acting for their own benefit. Their main requirement was the infrastructure and services of the city, as well as the autonomy of the population. They arranged their demands using actions such as blocking the road. With these roadblocks, they linked their material demands to the issue of civil rights, and thus they included their problems in a wider discussion. The democratization required in the allocation of state budgets helps socially marginalized groups.

Initiative budgeting began in the municipality of Porto Alegre in 1989. This city has a population of more than 1 million and is rich by Brazilian standards. In 1988, Labour won the mayoral elections. The company of this party is based on the reverse direction of democratic participation and spending priorities, in which state resources were spent in the middle and upper classes. initiative budgeting, on the other hand, was intended to help poor citizens and neighborhoods. Thus, the goal was to help these poor citizens receive a large share of government spending.

Soonhee Kim has studied the impact of initiative budgeting in South Korea on citizen participation, transparency, and confidence in state power. He showed that when citizens participate in initiative budgeting in” citizen participation, transparency, and trust in public administration: participatory budgeting in Korean local governments”, they are more inclined to support democracy, accept democracy as an effective institution, and understand how the state budget works. through initiative budgeting, citizens can acquire skills that allow them to become active citizens. Collaborative budgeting has shown that” by participating in local budget decision-making, marginalized people and other previously excluded groups can contribute to self-esteem and self-actualization”. Civic participation has also shown the” development of civic attitudes and skills ” and the formation of identity and loyalty. [6]

Frenkiel studied three initiative budgeting projects in China and covered the Assar” participatory budgeting and political representation in China”: one in Chengdu and two in Wenling, which took over seven years. He found that initiative budgeting contributed to opening the decision-making process to previously excluded participants who were local elites and ”super residents” [7].

Kukuckova investigated the impact of initiative budgeting on voter activism in the Czech Republic [8]. Evidence on this issue is uncertain. For example, the implementation of initiative budgeting in Prague really increased voter activity in municipal elections, but there was no significant impact in other Czech cities. This was described as "will participation-based budgeting increase voter activism in elections? Covered in the scientific article" Czech example".

A number of studies have identified the positive effects of initiative budgeting on citizens' attitudes towards government:

In this, a positive relationship began to arise between the participation of citizens in the budget process and the collection of taxes. I, which analyzes the activities of 25 municipalities in Latin America and Europe. Kabanna's comparative study found a significant decrease in the level of tax violations after the implementation of partisan budgeting[9]. The author writes that as a result of the practice of partisan budgeting, tax revenues increased, debts decreased. Tax revenues in the municipalities of Campinas, Resifi and Cuenca recorded a significant increase over several years, property tax debts in the municipality of Porto Alegre decreased from 20% to 15%, and property tax revenues increased from 6% to nearly 12% of the municipality's total income in less than a decade. The change in citizens' tax habits is due to the fact that citizens see the exact results of spending budgetary funds. The author of the study explained the reasons for the change in the correspondence of employees of the municipality of Puerto Asi: "the society, knowing the budget and financial situation of the municipality, begins to understand its budgetary restrictions. Then, faced with a lack of resources for the implementation of their projects, the team decides to cooperate with representatives of the municipality, invest in its own funds or materials, which seeks to increase the amount of available resources and expand the architecture, which was originally approved. The Joint Budget encouraged and revived traditional teamwork at the community level. Another financial result to consider is that such projects reduce operating costs. This is especially important in the conflict - ravaged municipalities of Colombia, where, through partisan budgeting, destroyed infrastructure-bridges, roads, irrigation facilities, wells that local residents themselves can apply and protect-was restored. Positive results of the impact of the direct participation of citizens in the adoption of budget decisions on Taxation were also found in Switzerland[10].

Research Methodology

The article covered the theoretical economic foundations of initiative budgeting, analyzed the participation of citizens in the distribution of budget funds. In the process of analysis, methods of studying theoretical sources, economic-statistical analysis, comparative analysis, comparative, graphic and grouping have been effectively used.

Analysis and Results Discussion

Initiative budgeting requires citizens to advance ideas as a necessary condition. Project ideas do not fall from above, but are put forward by the citizens themselves. The idea of each project is a problem that can be solved by citizens with the help of budget funds. The results of the reforms carried out to ensure the participation of citizens in the budget process, in the framework of the reforms carried out in our country in recent years, special attention is paid to improving the management of their financial resources at the request of the period and the formation of an innovative financial management system based on initiative budgeting. As you know, in order to establish public control over the expenditure

of budgetary funds in our country and to widely involve citizens in the budget process, the processes of “initiative budget” are actively conducted through the Open Budget information portal launched by the ministry in a new edition from 2021. In this regard, over the past three years, the general public has been involved in the formation of events based on public opinion, the participation of citizens in the budget process has been increased, as well as constant introductions to international and local experience in the field of initiative budgeting. Nearly 8.0 trillion sums were allocated from the state budget for Initiative budgeting processes during 2021-2023. A total of about 10,000 projects were considered winners and social problems were eliminated in more than 5,000 neighborhoods. Within the framework of the program, it is achieved that budget funds are targeted to solve problems that are considered relevant by citizens based on public opinion, thereby increasing public control over the use of allocated funds. As can be seen from the above, initiative budget processes are taking shape from year to year as a mechanism by which it is possible to quickly achieve a result in improving the standard of living of citizens, as well as the possibility of use by all citizens.

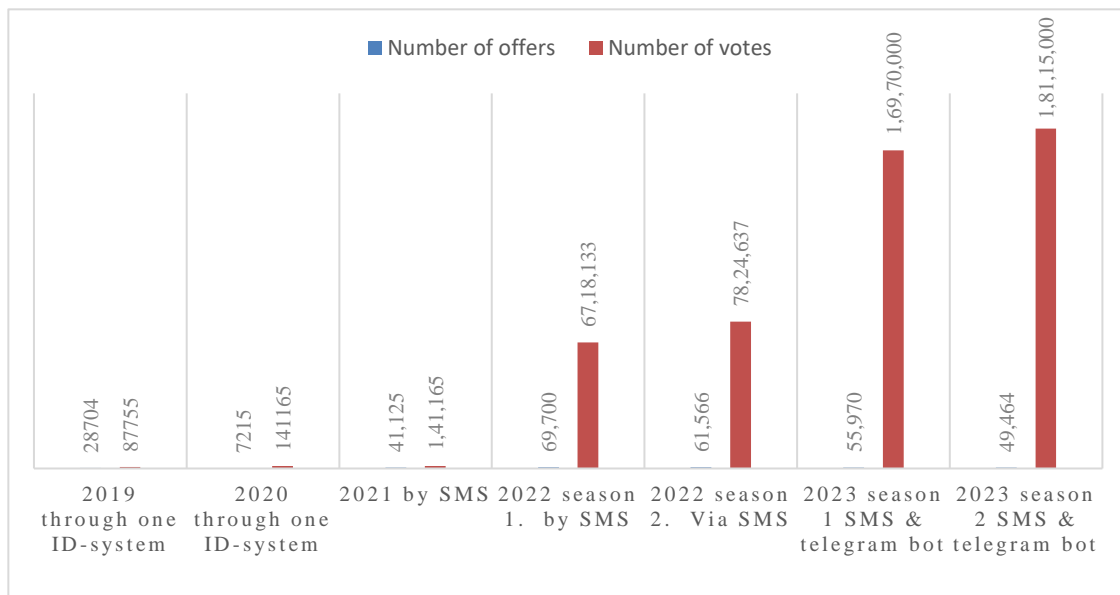


Diagram 1.

Citizen involvement in the initiative budget process years[10].*

*Prepared by the author on the basis of the “review of initiative budget practices in Uzbekistan” of the Ministry of Economy and finance of the Republic of Uzbekistan.

In the last three years, the financing of initiative budget processes was increased by 7.8 times from 530 billion sums to 4 115 billion sums.

At the end of each quarter, the district (city) municipalities will release information on the use of funds and the implementation of winning projects in mandatory order through the Open Budget information portal and official websites. In this case, from 71 points to 100 points, depending on the points scored — "green area", from 55 points to 71 points — "yellow area" and below 55 points — are found as "red area".

Initiative budget processes act as a social bridge between the state and society for citizens in solving existing social problems in districts and cities.

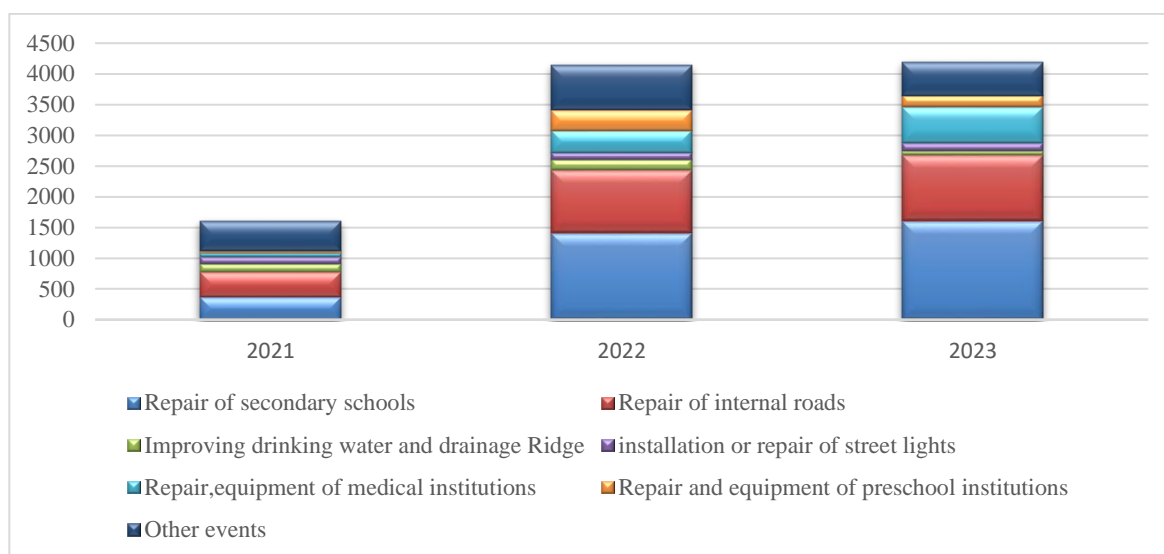


Diagram 2.
Winning projects across sectors [10].*

*Prepared by the author on the basis of the review of the initiative budget practice in Uzbekistan of the Ministry of Economy and finance of the Republic of Uzbekistan. The total number of winning projects in 2021 was 1,594, compared to 4,136 in 2022. And according to the results of 2024, a total of 4,183 project winners were found. Thebes.

As of 2022, an online appeal section has been established on the Open Budget information portal, with the launch of a leave-in module through a direct portal with citizen complaints or questions. To date, almost 2 thousand appeals have been received by citizens.

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "on approval of the regulation on the procedure for implementing the programs" prosperous village "and" prosperous neighborhood" through initiative budgeting processes based on public opinion " (03.05.2023-y. VMQ-No. 183).

According to the resolution, activities funded under the programs "prosperous village" and "prosperous neighborhood" will be determined by voting on the portal "open budget" on the basis of public opinion from 2023[11].

Formation of projects for the next year every year in November-December the information portal "open budget " (openbudget.uz) through public opinion.

In the first season of the initiative budget project in 2023, more than 16 million people voted for the projects. This means 45% of Uzbeks. In the first season, 33,680 project proposals were voted on by residents to improve roads, water, electricity, schools, kindergartens and hospitals. According to the final results, 1,666 of these projects were considered winners. 1.6 trillion sums are directed to implement the initiatives presented in these projects.

Also, in order to further expand initiative budget practices and the financial independence of neighborhoods, in 2024, 10 trillion sums will be directed from the state budget to finance projects formed on the basis of public opinion, of which at least 4 trillion sums will be directed for the programs "prosperous village" and "prosperous neighborhood".

RECOMMENDATIONS AND CONCLUSION

The active participation of the population in the processes of formation of the state budget and the development of projects for the socio-economic development of territories, clearly demonstrates the pressing problems in the places and serves to eliminate them for short periods of time. Determining priorities in the distribution of budget funds to regions and sectors is one of the most important tasks facing the participants in the budget process. Usually, these issues are dealt with by representatives of different levels of power, deputies and represent the interests of citizens. However, there are also local problems that are overlooked by lawmakers, and it is the initiative budget project that allows you to bring these problem cases to a general discussion, to find an acceptable option for solving it. Experience shows that each place has its own characteristics and priorities, people are well aware of most of the problems of their place of residence, and the choice of citizens is often considered more justified than the decision of the authorities. It is well understood by many that only by living in a certain place, it is possible to understand "from the inside" what issues should be solved in the first place. The most important result of the implementation of the initiative budget project is one of the most important conditions not only for solving issues of infrastructure development, but also for the development of social and human capital in settlements, as well as for the further increase in the responsibility of citizens

From the above analyzes, we can see that over the years, the winning indicators of the projects given for the repair and equipment of schools have increased. It follows from this that it is also necessary to allocate more funds to them, separately grouping the projects that will be given for the school taste. Then the chances of winning the rest of the projects will also increase. One of the reasons for paying special attention to schools is the threshold of education, upbringing, culture. The more we focus on schools, the more solid we will be at the foundation of our future. Currently, projects can be participated in the voting process from the age of 18. Schoolchildren should also be involved in school projects. Because, the fate of the school, its development will be directly in the attention of students. Therefore, when voting for school projects, it is necessary to create an opportunity from the age of 14.

REFERENCES

1. Birsen NACAR, Nihat FALAY. Participatory Budgeting in Public Sphere, Governance, Transparency and Participation. Politik Ekonomik Kuram, 2024
2. The appeal of the president of the Republic of Uzbekistan Shavkat Mirziyoyev to the Supreme Assembly. 24 December 2020.
3. Budget Code Of The Republic Of Uzbekistan
4. PD-3917 of the president of the Republic of Uzbekistan dated August 22, 2018 "on measures to ensure the openness of budget information and active participation of citizens in the budget process".
5. PD-5072 of the president of the Republic of Uzbekistan dated April 13, 2021 "on additional measures to ensure active participation of citizens in the budget process".
6. Kim, Soonxi. October 23, 2020. "Citizen participation, transparency, and trust in public administration: participatory budgeting in Korean local governments".
7. Frenkiel, Emilie October 23, 2020. "Participatory budgeting and political representation in China". Journal of Chinese governance . 6 : 1–23.

8. Kukučková, Sona (2019). "Will participation-based budgeting increase voter turnout in elections? Czech example". *Journal of Public Administration and policy* Nispacee.12(2): 109–129.
9. Cabannes Y. Participatory budgeting: A significant contribution to participatory democracy. *Environment and Urbanization*. 2004;16(1):27-46.
10. Review of initiative budget practices in Uzbekistan of the Ministry of Economy and finance of the Republic of Uzbekistan.
11. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 183 of 03.05.2023 on approval of the regulation on the procedure for implementing programs “prosperous village” and “prosperous neighborhood” through initiative budgeting processes based on public opinion.
12. O'rokov U, Irgashev I, Gaibullaev O. 2022. Local budget with the participation of citizens.
13. Dimovska, M. (2022). Participatory budgeting: from piloting to developing new practices. United Nations Development Programme. Retrieved from
14. Pulatov, D. (2022). Citizen participation in spending budget funds in Uzbekistan. *Asian Journal of Research in Business Economics and Management*, 12(4), 14-19. Retrieved from
15. Mukhammadjon Muzaffarov. Projects formed on the basis of public opinion and financing them in Uzbekistan. *World of Scientific news in Science Journal*, 2023
16. Muzaffarov Muhammadjon Maxmud o'g'li, Ortiqov Ulug'bek Akrombek o'g, Mavlonov Doston Mavlon o'g'li. БЮДЖЕТ СОЛИҚ СИЁСАТИ ОРҚАЛИ МАМЛАКАТ ИҚТИСОДИЁТИНИ РИВОЖЛАНТИРИШНИНГ АҲАМИЯТИ. *JOURNAL OF INNOVATIONS IN SCIENTIFIC AND EDUCATIONAL RESEARCH*, 2023/10/1
17. O'roqov Uchqun Yunusovich, Moyliyev Murod Baxtiyorovich, Muzaffarov Muhammadjon Maxmud o'g'li. Mamlakat investitsiya jozibadorligini oshirish orqali "Science and Education" *Scientific Journal / Impact Factor 3.567 (SJIF) November 2022 / Volume 3 Issue 11* www.openscience.uz / ISSN 2181-0842 1092 xalqaro kapitalni jalb qilish masalalari. “Science and Education” *Scientific Journal / ISSN 2181-0842 June 2022 / Volume 3 Issue 6*
18. Muzaffarov Muhammadjon Maxmud o'g'li. SUN'IY INTELLEKTNING IQTISODIYOTDAGI O 'RNI. *Proceedings of International Conference on Modern Science and Scientific Studies*, 2024/2/19
19. United Nations Development Programme. (2024). Overview of participatory budgeting practices in Uzbekistan. Retrieved from
20. World Resources Institute. (2018). Porto Alegre: Participatory Budgeting and the Challenge of Sustaining Transformative Change. Retrieved from
21. Centre for Public Impact. (2021). Green Participatory Budgeting: Lisbon, Portugal. Retrieved from
22. People Powered. (2024). Participatory budgeting: Case studies in countries neighboring Czechia.
23. Resolution of the President of the Republic of Uzbekistan, dated 04/10/2023. On measures to further improve the practice of proactive budgeting and support actives.
24. Decree of the president of the Republic of Uzbekistan, dated 10.07.2024 On additional measures to strengthen financial control over the use of budgetary funds.