

Ensuring Openness and Transparency of Budget Funds in Initiative Budgeting

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Abstract: The article explores theoretical approaches to the practice of "proactive budgeting". The priorities of the socio-economic development of the country in the medium-term budgetary policy of the Republic of Uzbekistan are being studied. In order to further increase the openness of the budget, to ensure the strengthening of public control over the spending of budgetary funds, issues of active participation of the population in the process of distributing budgetary funds were highlighted. The author's approach and views on the mechanism for financing activities are described on the basis of proposals formed within the framework of the "Obod mahalla" project.

Keywords: Initiative budget, Open budget, Citizens' budget, information portal, state budget, The state budget expenditures, social sphere, financial control, budgetary organization.

"According to the Law No. 742 of the Republic of Uzbekistan "The State Budget of the Republic of Uzbekistan for 2022", which was approved on December 30, 2021, the expenditures of the republic's budget were allocated among the 59 first first-level budget allocators (ministries and agencies). In this regard, in order to ensure the harmony of state programs with planned state expenditures, to strengthen public and parliamentary control over their implementation, funds allocated for state programs were highlighted in the budget of the first-level budget allocators."¹

The budget policy of the Republic of Uzbekistan for the medium term is intended to be implemented in accordance with the priorities of socio-economic development of the country, and the following are established as priorities:

- 1) Ensuring the social focus of budget policy, including the development of education, healthcare and social protection;
- 2) Reducing poverty unemployment, improving the local employment system, and creating job opportunities;
- 3) Implementing the "result-oriented budget" system step-by-step in the budget formulation;

¹ Abdujalilov A., Khamidov H. What is mentioned in the law of the Republic of Uzbekistan "About the state budget of the Republic of Uzbekistan for 2022". // Financier reference. Tashkent. 2022. №1. 9-11.

- 4) Establishing “fiscal rules” in order to ensure the stability of the state budget and incorporating them into budget legislation based on recommendations from international financial institutions and the experience of other countries;
- 5) Aligning budget expenditures with the goals of sustainable development and accelerating progress towards national objectives in the field of sustainable development;
- 6) Enhancing budget transparency, strengthening public oversight over budget expenditures, and promoting increased citizen participation in the budget allocation process.

Citizen participation in the budget process ensures transparency and openness, strengthens public oversight, enhances the effectiveness of government activities, and tackles corrupt practices. The main objectives of initiative budgeting are to provide citizens with information about the current budget and its management, prioritize the allocation of resources, make collective decisions for important sectors of local governance in collaboration with local authorities and citizens, and ensure informed use of funds for local development initiatives. Initiative budgeting creates opportunities for community participation, the advancement of civil institutions, and the identification of pathways for community improvement.

“The formulation and implementation of the State Budget of the Republic of Uzbekistan are carried out in accordance with principles of transparency and accountability. Citizens and civil institutions contribute to the oversight of the formulation and implementation of the State Budget of the Republic of Uzbekistan, ensuring public accountability. The procedures and mechanisms for citizen participation in the budget process, as well as their modalities, are prescribed by law.”².

“The implementation of a series of measures aimed at ensuring transparency and openness of information concerning the State Budget of the Republic of Uzbekistan, as well as promoting citizen participation in the budget process, has been carried out. These measures include the approval of the State Budget by the Parliament, the publication of the "Budget for Citizens" information bulletin, the launch of the Openbudget.uz information portal, and the disclosure of information related to the implementation of the State Budget in accordance with national and International Monetary Fund (IMF) Government Finance Statistics (GFS) standards. Furthermore, there is a need to further enhance the management of public finance, which requires the development of strategic directions in order to create tax-budget policy, such as providing comprehensive and transparent information to the public about public finance, ensuring its efficiency and reaching the highest level of accountability. The strategy also emphasizes the responsibility and accountability of budget participants”³.

The process of participating in the "Initiative budget" through the "Openbudget.uz" information portal is as follows:

1-step. First of all, it is required to register on the information portal, which is considered very important in the prevention of anonymously leaving a proposal or voting cases. All adult citizens of the Republic of Uzbekistan can participate in these processes.

2-step. The submission of suggestions is allowed for a duration of exactly 20 days, during which individuals have the opportunity to submit their suggestions.

² The Constitution Of The Republic Of Uzbekistan. Tashkent. 2023. April 30. Chapter XXVI. Finance, money and banking system.P.148.

³ Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On approval of the strategy for improving the management of Public Finance of the Republic of Uzbekistan in 2020-2024" No. 506. 2020. August 24.

3-step. The suggestions submitted by citizens undergo moderation by working groups established in districts and cities within 20 days.

4-step. The moderated suggestions are subjected to a voting process through the information portal, which lasts for 20 days.

5- step. Based on the final voting results, suggestions with the highest number of votes in each region are considered winners and are allocated funding.

According to the information available on the "Open Budget" portal, a total of 55,970 initiatives have been received from the public. Citizens have the right to vote for any project once, and projects with the highest number of votes are considered winners. The number of winning projects is determined based on the allocated funding. A decision (order) is prepared by the respective district (city) governor for the allocation of funds to implement the winning projects, which is then presented to the local council of deputies for review. Since 2021, a mechanism has been implemented to allocate 5% of the district and city budgets based on public opinion as an experience, and this mechanism has been applied to all districts and cities nationwide in this year.

“In 2022, the following budget expenditures were allocated from local budgets:

- expenditures for the construction, reconstruction, and complete renovation of general education institutions, preschool education organizations, healthcare facilities, as well as for measures aimed at improving the meliorative state of irrigated lands, construction and reconstruction of objects, and repair and restoration works;
- expenses for the renovation of multi-apartment housing stock in densely populated areas, capital repairs of heating networks and heating supply organizations' boiler houses;
- expenses for the provision of free attorney services to underprivileged and vulnerable individuals.

Additionally, 5% of the total approved expenditures of the respective budgets of all districts (cities), amounting to 1.5 trillion UZS, are planned to allocate for the implementation of initiatives developed based on public opinion.”⁴.

Clearly identifying the priorities for financing budget expenditures from local budgets is one of the most important tasks faced by local executive and representative bodies. Usually, various competent authorities are involved in the budget process concerning these matters, but there may also be significant issues that require attention within local executive and representative bodies.

“The results achieved in 2021-2022 on the initiative budget are as follows.

1. Citizens actively participated in the initiative budget processes which were held in 2021-2022. Including,

a) In 2021, over 41,000 projects were submitted by citizens, and the number of votes cast for these projects amounted to 1.1 million.

In the first quarter of 2022 (February-March), over 69,000 projects were submitted by citizens, and 6.7 million citizens (19% of the population) participated in the voting process.

⁴ Law No. 742 of the Republic of Uzbekistan "About the state budget of the Republic of Uzbekistan for 2022". 2021. 30 Dec.

b) In 2021, 1,594 projects were identified as winners, and in the first quarter of 2022, 2,354 projects were identified as winners. A budget of 1.6 trillion UZS was allocated for the implementation of these projects”.⁵

In order to distribute the initiative budget for the upcoming year, it is proposed to allocate approximately 8 trillion UZS. Around 1.7 trillion UZS is expected to be allocated for financing projects initiated by citizens during the first season of 2023.

In 2023, a total of 8 trillion UZS (3.5 times more than in 2022) is projected to be directed to fund projects promoted directly by citizens. Specifically,

a) Starting from January 1, 2023, it is planned to allocate 5% of district and city budgets for the implementation of initiative budget programs. Taking into account the allocation of no less than 6 billion som for each district and city, it is anticipated that over 2 trillion som will be allocated for targeted budget programs in the coming year.

b) In order to address pressing issues faced by citizens in local areas, an additional 30% of the budgets of the Republic of Karakalpakstan, regions, and the city of Tashkent will be allocated for financing projects formulated based on citizens' opinions. As a result, more than 1 trillion som will be allocated to the respective districts and cities for these purposes.

c) A system is being established for allocating funds to implement projects initiated by citizens for the development of prosperous rural areas and neighborhoods. Each year, at least 4 trillion UZS is allocated for the social infrastructure development goals based on public opinion. Consequently, all projects related to social development in regions will be designed based on public opinion.

d) In order to actively involve citizens to the "My road" project and address the pressing issue of renovating internal roads, the amount of funds allocated for the repair of local internal roads in district and city budgets will be doubled starting from the upcoming year. For these purposes, a total of 640 billion UZS will be allocated in the current year, with at least 50% of these funds, namely 320 billion UZS, allocated based on public opinion;

e) With the aim of further enhancing community autonomy and addressing important social issues in neighborhoods, the "My Neighborhood" system will be implemented through the "Open Budget" information portal starting from the upcoming year.

⁵ Information from the official website of the Ministry of Economy and finance of the Republic of Uzbekistan

| Steps | Subjects | Events | Terms |
|--------|---|--|---|
| Step 1 | Self-governing bodies of citizens | Transfers non-statutory funds to the "Neighborhood budget" fund. | Regular |
| Step 2 | Neighborhood presidents and governors' assistants | Forms a list of projects with citizens of the neighborhood and includes them in the Open Budget information portal | In April (in the first decade of the month, when more than 10 million UZS are formed in the fund) |
| Step 3 | Neighborhood presidents and governors' assistants | Informs the citizens of the neighborhood about the formed projects and the beginning of the voting process | Three days before the start of the voting process |
| Step 4 | Neighborhood citizens | The projects formed on the information portal "Open budget " will be subject to a voting process by the citizens of the neighborhood | May 11-31 (additionally – 11-30 of the month) |
| Step 5 | Open budget information portal | The project(s) with the most votes according to the results of the voting process will be considered the automatic winner by the Portal | According to the results of the voting process |
| Step 6 | Coordinating organization | Under the requirements of the Public Procurement Act, the contractor identifies and formalizes contracts for the implementation of projects which are considered to be winners in each neighborhood. | Within 10 days of the winners being determined |
| Step 7 | Neighborhood presidents and governors' assistants | The purchased goods (services) and their carried out work are received from the contractor enterprises. | According to the results of the work carried out |

"In this regard, it is considered that a portion of the funds generated from certain types of taxes, which are used for addressing social issues, will be allocated based on the voices of respective neighborhood citizens. The allocation of these funds will be directed towards initiatives formulated in accordance with public opinion and implemented through self-governing bodies, as well as legal documents and designated sources. A neighborhood budget, separate from the general budget, is established for each neighborhood.

The "My Neighborhood" initiative is implemented following a new mechanism proposed to develop and voice measures in line with the scheme supported by community participation. In this process, the units responsible for coordinating these initiatives in districts (cities), neighborhoods, and local communities are considered as coordinating bodies.

The funds are utilized through the "Open Budget" information portal to implement projects that have been formulated based on public opinion, with the aim of improving and developing neighborhood infrastructure, promoting prosperity, and providing support to economically disadvantaged families. The "My Neighborhood" initiative is carried out to identify successful projects within the process of shaping and voicing through community participation. This, in turn, enables the allocation of funds specifically for addressing neighborhood issues, based solely on the opinions of neighborhood citizens.

Table 1. Formation of initiative budget results in the section of neighborhoods and determination of winners in the section of neighborhoods ⁶

| № | Area name | Total number of NCR through Republic | The number of involved NCR | Total | Percentage |
|----------|----------------------------|---|-----------------------------------|--------------|-------------------|
| | Total | 9 367 | 9 200 | 167 | 98% |
| 1 | Andijan region | 887 | 865 | 22 | 98% |
| 2 | Bukhara region | 544 | 544 | | 100% |
| 3 | Jizzakh region | 308 | 308 | | 100% |
| 4 | Kashkadarya region | 814 | 814 | | 100% |
| 5 | Republic of Karakalpakstan | 424 | 406 | 18 | 96% |
| 6 | Navoi region | 330 | 330 | | 100% |
| 7 | Namangan region | 791 | 791 | | 100% |
| 8 | Samarkand region | 1 125 | 1 025 | 100 | 91% |
| 9 | Sirdarya region | 236 | 231 | 5 | 98% |
| 10 | Surkhandarya region | 723 | 723 | | 100% |
| 11 | Tashkent region | 1 020 | 998 | 22 | 98% |
| 12 | Tashkent city | 579 | 579 | | 100% |
| 13 | Fergana region | 1 058 | 1 058 | | 100% |
| 14 | Khorazm region | 528 | 528 | | 100% |

In order to direct funds that are not restricted by law, which are allocated based on the public opinion of the relevant neighborhood residents, towards initiatives formulated to address social issues, it has been proposed to establish separate budget treasury accounts called 'Neighborhood Budgets' outside the general budget treasury accounts, which are managed by self-governing bodies representing the citizens. The implementation of these initiatives is carried out in accordance with the opinions of the community and with the involvement of relevant coordinating bodies, including the district (city), neighborhood, and support units for social welfare.”⁷.

In a notable aspect, these projects were promoted by 9,200 neighborhoods, or 98 percent of the total number of neighborhoods. In this case, a system was introduced in which Initiative budget processes are now formed in each section of neighborhoods and winners are identified in the section of neighborhoods.

“During the second season of 2022, 37,700 projects initiated by citizens and serving the interests of the community were put to a vote in the Initiative Budgeting process throughout the republic. In this process, 98.0% of the total 9,201 neighborhoods in our republic participated with their own projects in the selection of the Initiative Budget. Based on the voting results, a total of 1,418 projects in 1,221 neighborhoods were identified as winners, receiving votes from 4.3 million citizens across the country. An amount of 1 trillion UZS was allocated from the republic's budget to the Public Initiative Foundations of district (city) administrations for the implementation of these projects. Additionally, to implement 364

⁶ Pulatov D., Khamidov H. The rights and freedoms of citizens in the processes of "Initiative budgeting".// Financier reference. Tashkent. 2021. № 12. 57-59.

⁷ Pulatov D., Khamidov H. On the information portal "Open budget", the project "My Way " was launched. // Financier reference. Tashkent. 2022. № 3. 9-11.

projects that received more than 2,000 votes but did not win, 335 billion UZS were allocated from the republic's budget."⁸.

In modern Uzbekistan, rapid reforms are being carried out in the financial, banking, tax, and insurance systems. Today, in the context of budget and tax policies, increasing the effectiveness of budget revenues and expenditures is considered an important task. The main reason for this is that ongoing reforms contribute to the improvement of the budget and tax system in a sustainable manner.

In conclusion, participatory budgeting refers to the practice of involving citizens directly in the allocation of a certain portion of budget funds based on their proposed initiatives, as well as making decisions and implementing the approved projects. Participatory budgeting can significantly increase citizens' sense of ownership and improve their quality of life. One of the positive aspects of participatory budgeting is that citizens can oversee the implementation of winning projects. Consequently, it can contribute effectively to achieving sustainable development goals.

Under the "My Neighborhood" project, the allocated funds can be directed towards the following measures:

- receipts from the rental of empty objects;
- part of tax charges;
- sponsorship and other non-prohibited funds.

In order to further increase the openness of the budget, to ensure increased public control over the expenditure of budgetary funds, it will be advisable to further expand the active participation of the population in the process of distributing budget funds.

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