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THE EFFECTIVE ACTIVITY OF BUDGET ORGANIZATIONS IN MEDIUM-TERM BUDGETING PRACTICE IN UZBEKISTAN

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Abstract

This paper describes the organizational and financial processes that improve the efficiency and effectiveness of the state budget funds managers. The article developed a new approach to budget management and management accounting of BFM, which are the main executors of public finance reforms, according to which the organization can serve the development of the country.

Keywords: results management, financial strategy and tactics, management accounting, system of normative indicators, rating, budgeting, forecasting, medium-term result-oriented budgeting, state budget distributors (SBD)

Introduction

The goal of modern economic processes is to achieve the desired results, first of all, the issue of proper organization and management of these processes. Of course, governance is established through the proper formation of direct “vertical” or “horizontal” relationships. In the state budget system, such relations are considered within the framework of the powers and responsibilities of budget allocators and local governments in the field of budget. In particular, if medium- or long-term planning of the state budget was intended, of course, it would be necessary to reconsider the methods and principles of "budget management" in the activities of budget allocators and local governments and make the necessary additions and changes.

Bringing the system of public financial management to a new level and further strengthening budget discipline by increasing the efficiency and effectiveness of the use of state budget, increasing institutional capacity and responsibility of participants in the budget process to ensure the reliability of macro-fiscal forecasts at the center of reforms to introduce modern methods of state budget planning It is necessary to increase the powers and accountability of SBD and local government bodies in the budget sphere and strengthen their responsibility. In economic developed countries, the powers and responsibilities in the field of public finance, in particular, the state budget, are developed and implemented on the basis of the principles of budget management.

Table 1. Information on the distribution of budget funds and local governments in the country

№	Classification of organizations	Quantity
1. *Public administration bodies*		
1.1	Ministries	**24**
1.2	State committees	**10**
1.3	State inspections	**4**
1.4	Government agencies	**12**
1.5	Committees	**5**
1.6	Centers	**6**
1.7	Central institutions	**2**
1.8	Inspections	**4**
2. *Local governments*		
2.1	Regional authorities *	**14**
2.2	District khokimiyats	**175**
2.3	City authorities	**31**
3. Economic management bodies		
3.1	Associations	**9**
3.2	Banks	**10**
3.3	Companies	**22**
3.4	Associations	**6**
3.5	Funds	**1**
3.6	Associations and concerns	**6**
3.7	Others	**10**

* with the Republic of Karakalpakstan and Tashkent.

Source: Government Portal of the Republic of Uzbekistan (https://www.gov.uz)

Reforming the system of public administration and public service through decentralization of public administration, increasing the level of professional training, material and social security of civil servants and the gradual reduction of state participation in the regulation of the economy, the country's socio-political and Priorities are being implemented, such as the introduction of modern mechanisms of public-private partnership aimed at increasing the effectiveness of mutually beneficial cooperation in the implementation of tasks on socio-economic development, ensuring the transparency of public administration.

In accordance with the Decree of the President of the Republic of Uzbekistan dated September 8, 2017 PF-5158 "On approval of the Concept of Administrative Reforms in the Republic of Uzbekistan", a number of tasks are set, including specific criteria for the establishment and termination of executive bodies, including their structural and territorial divisions. Institutional aspects such as introduction of procedures, optimization of executive bodies, their structures and divisions, increase of independence of executive bodies and their heads in implementation of the state policy in the assigned area are defined. Also, the administrative apparatus of the executive authorities, including the establishment and abolition of their structural and territorial subdivisions,

It is also necessary to create a fundamentally new system of evaluation of the activities of executive bodies and their leaders at all levels, including program budgeting and representative bodies, based on the achievement of target indicators and the effectiveness of strategic development programs for those financed from the state budget. It is also important to expand the financial capacity of local governments, including by increasing tax allocations to the local budget and strengthening the interest of local governments in expanding the tax base in order to develop and implement regional development programs.

In accordance with the process of structural change and improvement of the budget system and the links of the budget process, the need to develop a necessary concept of market relations as an independent economic entity, on the one hand, as a subject of public administration and planning, on the other hand; occurs (Table 2).

Table 2. Comparative analysis between the system of "cost management" and the system of "results management" in the allocators of budget funds

Area to be reformed	Cost management system	Result Management System
Scale of management system	Organizational legal form - a state institution The total number is 351 Territorial and departmental structure - 220 units	Organizational legal form - a state institution The number of universities is 351 Territorial and departmental structure - 220 units
The field of financial management	Financing - according to the annual cost estimate; payment for scientific and educational services on the order of the state and business entities. Treasury service. Financial control - targeted funding.	***Institutions financed from the budget*** Financing - 3 (three) years; budget funds separately for each task (service) on the cost estimate according to the state order. Treasury Institute. Financial control is targeted funding.
		Self-financing institutions Funding in the form of subsidies or subventions (according to budget classification) for work or services performed on behalf of the state or other organizations, on the basis of an approved program, other revenues not prohibited by law, as well as may be founders of various enterprises or attract loans. Financial control - external and internal financial control, independent audit.

Internal management system	Management is administratively centralized. Organizational structure - straight-functional. Financial structure - accounting for sources of funding and cost elements. Accounting system - a report on the use and management of funds. Financial mechanism for cost management (expenditure).	Management is focused on strategic development. Organizational structure - specific to the matrix elements, and decentralized from financial reporting. The financial structure is based on results-oriented budgeting. Accounting system - result and multi-level integrated management account. A financial mechanism for results management.
Evaluation system	The conclusion of the special commission on foreign state budget execution. Certification, accreditation, licensing and rating system.	Publication of the results achieved and the national rating system, as well as the evaluation criteria and the report on the assessment.

Source: Author's compilation

Funding in the form of subsidies or subventions (according to budget classification) for work or services performed on behalf of the state or other organizations, on the basis of an approved program, other revenues not prohibited by law, as well as may be founders of various enterprises or attract loans.

The priorities for the transition from cost management to results management include ensuring the SBD's economic independence, as well as strengthening their responsibility to achieve the ultimate social and measurable results they have made in the context of changes in public administration. In particular:

- the individual approach of each SBD in the implementation of fiscal policy and strategy developed on the basis of a set of methodological principles;
- Structural in the functioning of the financial mechanism (FM) in the budgeting process at the SBD-logical model (Figure 2) , development of financial methods, incentives, incentives, as well as a methodological approach to providing them with financial resources;
- Develop a methodological approach to management accounting that provides reliable and timely information to interested users on the transparency of information on the activities of the SBD and effective management decisions, as well as the goals and indicators to be achieved;
- In developing a performance appraisal system in the SBD, it is necessary to develop a methodological framework so that each performance indicator can be adapted to the "system of normative indicators" (SNI). The structure of the budget account (BH), assessment of network activity, shortcomings and achievements in the implementation of strategic goals are reflected in the use of this SNI;
- development of organizational and methodological model of results-based budgeting practice using the developed SNI;

- the emergence of a methodology for accurate calculation and forecasting of costs for the implementation of government programs and strategic projects and the training of specialists leading to the desired results;
- the emergence of an internal outsourcing system in budget allocators, a methodological approach to improving the relative effectiveness of results using corporate governance, etc.

Before introducing a results management system in budget allocators, it is necessary to note a number of objectives of the financial strategy, which may include:

1) ensuring the financial stability of budget allocators;
2) increase the innovative and investment attractiveness of budget allocators and its continuous development;
3) development and implementation of effective management system.

Currently, the line ministries and local governments operating in the country are financed in the prescribed manner from the state budget and extra-budgetary funds, as well as additional borrowed funds.

A systematic approach to the development and implementation of a management strategy will be required for budget allocators. The main link of the strategy should be the indicators of the System of Normative Indicators (SNI). These indicators determine the fulfillment of the functions and responsibilities of the state, as well as its obligations on the basis of orders.

It would be expedient to use targeted program planning and financial management methods as a methodological basis for the implementation of financial strategy in budget allocators. It is necessary to take into account the internal and external rickshaws that may occur during the development and implementation of financial strategy mechanisms.

Fiscal strategy can also lead to changes in the internal organizational structure of budget allocators. The main reason for this is the various programs developed on the basis of the state development strategy, as well as the issues of adaptation to different management methods to achieve results in the implementation of the set goals. In this case:

- First, it is determined by the termination or reorganization of departments and centers with a relatively low level of efficiency;
- secondly, it is determined by the limited funds allocated from the state budget;
- thirdly, the need for effective use of the assets of budget allocators in the implementation of projects, coordination of costs and further increase of financial, collective and individual responsibility for the results to be achieved;
- Fourth, the introduction of a "results management" system will increase the ability of distributors to use financial resources not only from the state budget, but also from economic and innovative (both for research and educational services and personal income (within the law and contractual obligations)) should;
- Fifth, the transition to a "results management" system may lead to changes in the flow of external relations and financial resources with counterparties.

Of particular importance in the use of management accounting in budget allocators is that it has a very complex and significant system. In this case, management accounting is embodied in the allocators of budget funds as a subordinate system, as an accounting and analytical system, which provides an assessment and results to achieve the goals and objectives set on the basis of evaluation and analysis of information integrated in the development of management decisions. Management accounting mainly collects, analyzes and summarizes information (following the metrics and principles of management accounting). In our view, management accounting and analysis in budget allocators perform the following functions:

- cost planning and forecasting;
- management of results-based budgeting practices;
- budget and own account management;
- performance of the task of providing information on the decisions made by the management and planned in the future;
- assessment and monitoring of financial and non-financial activities of the organization, delivery of internal and external information.

Figure 3 shows a typical structure of management accounting and analysis of budget allocators, which shows the stages of management accounting and analysis, the procedure for its implementation, methods and tools of management accounting, as well as some of the institutional and functional factors.

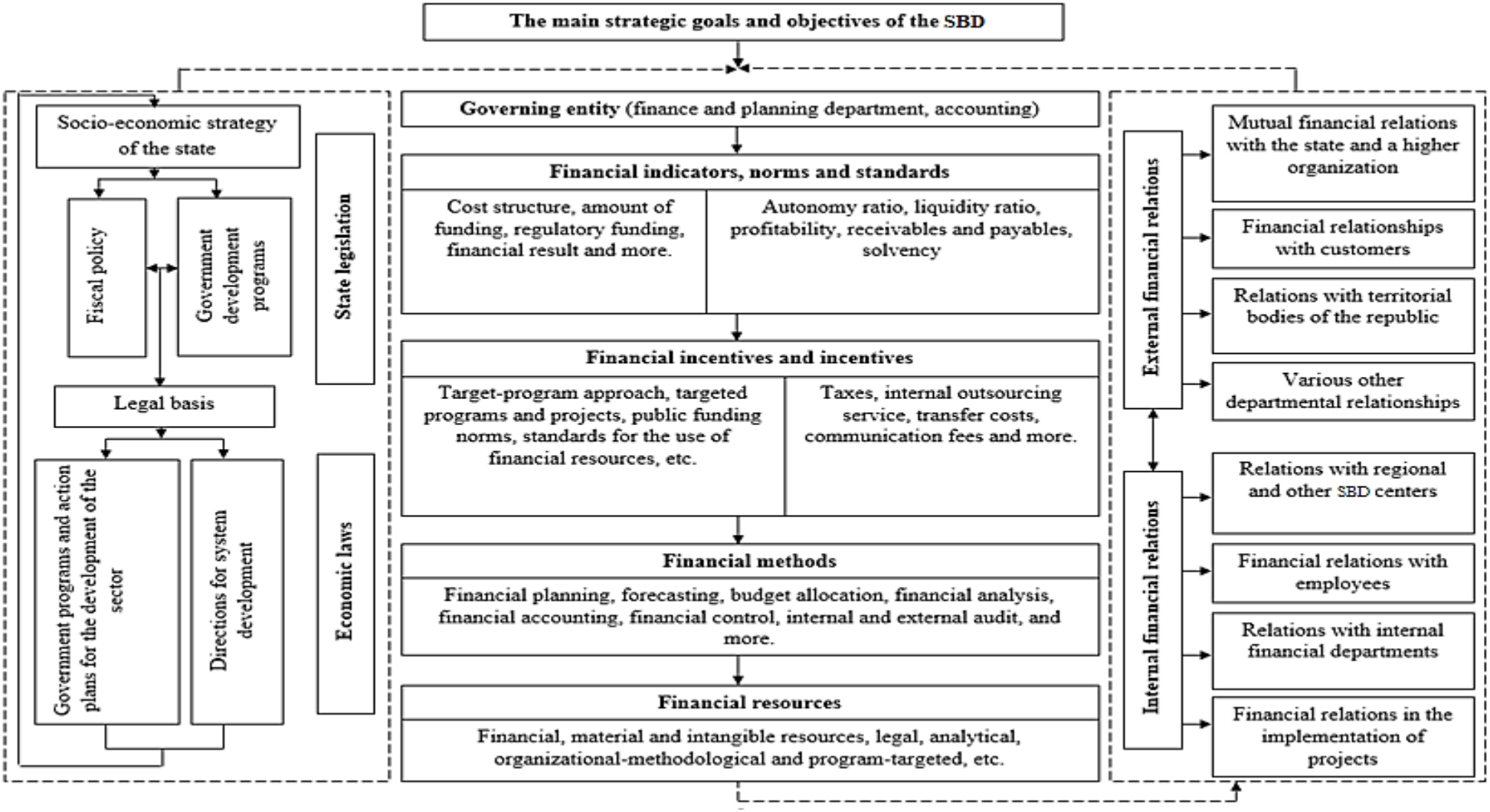

Figure 2. Sample scheme of financing for the state budget distributors

Source: Author's compilation

- performance of the task of providing information on the decisions made by the management and planned in the future;
- assessment and monitoring of financial and non-financial activities of the organization, delivery of internal and external information.

Figure 3 shows a typical structure of management accounting and analysis of budget allocators, which shows the stages of management accounting and analysis, the procedure for its implementation, methods and tools of management accounting, as well as some of the institutional and functional factors. In particular, the strategic management system of budget allocators (or its elements), the organizational structure of budget allocators, the degree of integration of the accounting system, the degree of integration of centralized sources of information in management, the degree of diversification of funding sources, etc. This model is tested in the experience of foreign countries, and it operates mainly in the form of a system.

The introduction and application of a system of normative indicators in the allocators of budget funds will ensure a clear assessment of the internal and external relations of the institution, as well as financial and non-financial activities. The introduction of the System of Normative Indicators (SNI) will allow budget allocators to achieve the goals set by the state and the institution quickly, reliably and efficiently. The main reason for this is that SNI allows to simultaneously identify and control its shortcomings and achievements during the implementation of the system or institution. In addition, the system of indicators allows you to quickly check the actual numbers at the required level, and further increases the possibility of using the results of the analysis in the development of management decisions.

At the same time, the uniqueness of SNI is that it is based on a changing evaluation system rather than a traditional evaluation system, which allows it to adapt to today's rapidly evolving and changing society, focusing on increasing human resources to respond quickly to society's needs. These variables and their working mechanism can be seen in Table 3.

In order to achieve the "result" listed in Table 3, it is advisable to organize the work of each organization on the basis of its internal capabilities and goals. Specific and general indicators are set for the results to be achieved on the basis of the developed plan (in the development of the plan to move from the criterion "Quality of service" to the criterion "Society", which serves as a key factor in determining the correct goal). During the reporting period, each planned work and its results are compared and analyzed by scoring (or using a special grading system). Based on the results of the analysis, information on the effectiveness of the "road map" is divided. Based on this information, the necessary decision will be made.

The essence of the System of Normative Indicators (SNI) is an element of management accounting, which serves as a tool for systematizing financial and non-financial indicators, taking into account the "cause-and-effect" factors in achieving the main strategic goal.

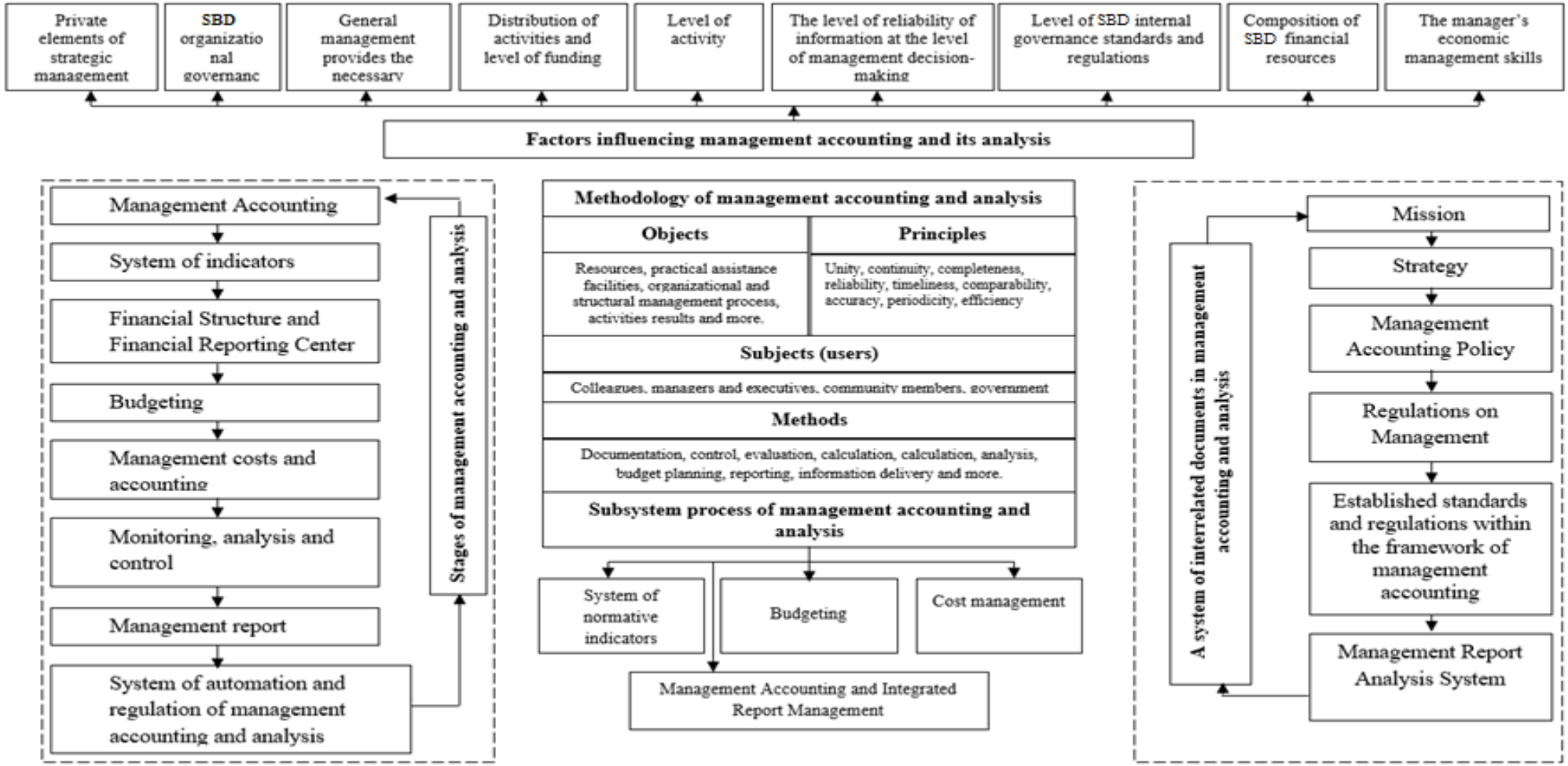

Figure 3. Sample structure of management accounting and analysis system of the state budget distributors

Source: Author's compilation

Table 3. Exemplary stages of activity of directors of budgetary funds on "results"

Level of coverage	An issue on the agenda	The result to be achieved
"Society"	What public service or benefit is needed for society?	Benefit to society
"Finance"	What financial level should be achieved?	Financial stability
		Investment attractiveness
"Customer"	What kind of work should be organized with the customer and clients of budget allocators?	International standards of education
		The development of scientific potential is inextricably linked with the real sector of the economy
		Advanced information exchange system
"Internal activity"	How to organize a business to be a regular customer applicant?	Continuous organization of an integrated and sustainable learning process
		To be in constant contact and development with the world community
		Achieving leadership in the field of information technology
"Quality level of service"	How to organize the right and effective work, the necessary staff, technology, various resources?	Development of internal infrastructure
		Increasing the transparency of decisions and information resources
		Transforming itself into a self-developing organization
		Formation and development of innovative system in corporate form

Source: Author's compilation

The introduction of SNI further accelerates the organization of work at different levels of management and coordination of the educational institution, ensures the organization of activities. The main goal is to further develop the ability to work as a team

towards the strategic goal set by the organization. Of course, the introduction of SNI can lead to a number of internal changes and shifts in the allocation of budget funds. This is because it is natural for the structure to be reconsidered in the pursuit of a set strategic goal. The introduction of SNI will allow to evaluate each civil servant, as well as increase the efficiency of their work. Each employee of the organization works tirelessly to increase Reforms in the field of public finance in our country make it important to change the management of its financial resources in accordance with the requirements of the times, that is, to abandon the traditional budgeting and form an innovative financial management system based on medium and long-term budgeting.

Today, the introduction of results-oriented budgeting in the budget management of budget allocators serves as a factor in the efficient use of financial resources.

In our country, many budget allocators are mainly financed from the national budget, and its transition to the principles of BOR in ensuring the effectiveness of budget execution is to achieve its strategic goals in the short, medium and long term by diversifying sources of income and expenditure.

Conclusion

In our opinion, the specific features of the implementation of the BOR are:

- spending budget funds on activities that produce tangible results, not on expenditures;
- revision of the decision-making mechanism in the budget sphere;
- improving the procedures for allocating budget funds;
- reclassification of budget recipients.

The introduction of BOR in the budgeting system will allow not only to reduce costs and clarify budget execution, but also to implement the quality of services in educational activities based on clear indicators.

In conclusion, the introduction of results-oriented budgeting methods in the practice of budget allocators covers a number of specifics in the areas of education, and for its implementation leads to the effective management of financial resources for NYB-based education performance indicators.

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