



## IMPROVING THE MAIN DIRECTIONS OF FISCAL POLICY

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### ANNOTATION

*This article examines reforms aimed at strengthening the role of fiscal policy in the state's economy, effective management of the budget and tax system, optimization of government spending, and ensuring economic stability. Issues of ensuring tax revenues to the state budget, managing public debt, effectively distributing social expenditures, and implementing fiscal measures to stimulate economic growth are also highlighted as key areas.*

**KEYWORDS:** *Fiscal Policy, Fiscal Policy, Government Debt Management, Budget Expenditures, Social Spending, Optimization, Tax System, Budget Control, Economic Sustainability.*

### INTRODUCTION

Fiscal policy is a crucial instrument for ensuring the state's economic stability, financing social and infrastructure projects, as well as stimulating the country's economic growth. It is primarily implemented through managing budget revenues and expenditures, collecting taxes, and controlling government debt. Concurrently, the effective execution of fiscal policy creates the necessary financial conditions for the growth of the state's economy, ensuring employment, and enhancing social well-being.

In today's context, improving fiscal policy is essential for more effective public finance management, ensuring economic growth, and enhancing social services. As economic modernization processes continue in Uzbekistan, refining the main directions of fiscal policy will contribute to increasing the efficiency of the state budget and tax system, as well as strengthening economic stability. Consequently, the renewal of fiscal policy and the effective implementation of its priorities are of utmost importance for the country's long-term economic development.

### LITERATURE REVIEW

According to a foreign economist, S. Bregg, in his "Financial Director's Desk Book,"[1] wrote: "Figuratively speaking, when budgetary policy is dominated by both sides like a swan, tax policy is not the same as when the sea side needs road fuel like a crab." On the contrary, instead of agitation, the effectiveness (effectiveness) of budgetary and tax policy will remain low or equal to 0.

If the budgetary and tax policy is conducted correctly and reasonably, one can spend a one-soum amount and, in some cases, expect a ten-soum return. On the contrary, funds worth billions of soums may be lost without efficiency, "as water sinks into the sand."

A foreign scholar, E.A. Sidorova, wrote in the textbook "Budget and Financial Policy in the European Union"[2]: "Currently, in economics (finance) science and global practice, there are a number of conceptual approaches to the problem of budget deficit and budget policy." It is important to take them into account or pay attention to them when developing a budget policy in relation to the budget deficit.

This textbook also explains that "under the first concept of budget policy, which is related to the budget deficit and budget deficit, the state budget of the country should be balanced annually." However, this idea did not arise spontaneously or artificially. Because in the 1930s (1929-1932) prior to the "Great Depression," the annually balanced budget was universally recognized as the desired goal of state finances and financial policy.

However, according to J. Soros's work "Alchemy of Finance"[3] "there is no tax policy that is absolutely independent of budgetary policy and is not directly dependent on it, and vice versa. In the next financial year, the







According to the IMF report in April of this year[8], global economic growth is projected to remain unchanged in 2024-2025, as in 2023, i.e. 3.2 percent.

**Table 1.  
National Forecasts Of Key Macroeconomic And Budget Indicators [10]**

	Execut	Execut	Confirmed	Expectat	Forecast		
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	2022	2023	2024	2024	2025	2026	2027
<b>Population, Million People</b>	<b>35,7</b>	<b>36,4</b>	<b>37,1</b>	<b>37,1</b>	<b>37,8</b>	<b>38,6</b>	<b>39,4</b>
<b>GDP Growth Rate, As A Percentage Of Last Year</b>	5,7	6,0	6,0	6,0	6,2	6,4	6,2-6,4
<b>GDP Per Capita, US Dollars.</b>	<b>2 275</b>	<b>2 496</b>	<b>2 698</b>	<b>2 698</b>	<b>2 950</b>	<b>3 055</b>	<b>3 200</b>
<b>Inflation, As Of The End Of Last Year, In Percent</b>	<b>12,3</b>	<b>8,8</b>	<b>9,0</b>	<b>9,0</b>	<b>8,0</b>	<b>6,0</b>	<b>6,0</b>
<b>Consolidated Budget Indicators, Including:</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
Revenues, Trillion Soums	286,5	321,9	375,0	379,4	437,8	520,1	587,9
Expenses, Trillion Soums	321,7	381,0	427,6	432,1	484,3	572,3	646,2
Deficit, Trillion Soums	-35,2	-59,2	-52,6	-52,7	-46,6	-52,2	-58,3
Deficit, As A Percentage Of GDP	-4,0	-5,5	-4,0	-4,0	-3,0	-3,0	-3,0

The inflation rate in Uzbekistan is projected to be around 9 percent in 2024, to decrease to 8 percent in 2025, and to 6 percent by 2026. Due to the growth of economic activity in Uzbekistan and the high prices of the country's important export goods on the world market, revenues of the State budget in 2024 are expected to exceed the approved forecast.

At the same time, external risks remain due to global economic uncertainties and geopolitical contradictions. As a result of the adoption of a number of decrees and resolutions of the President of the Republic of Uzbekistan on the socio-economic development of the country, the expenditures of the State Budget for 2024 will be revised.

At the same time, the consolidated budget deficit will not exceed 4 percent of GDP. Based on long-term fiscal goals and macroeconomic prospects, including ensuring that the consolidated budget balance in the medium term does not exceed a deficit of 3% of GDP, the consolidated budget revenue forecast for 2025 is projected at 437.8 trillion soums or 28.4% of GDP, and the expenditure forecast is projected at 484.3 trillion soums or 31.4% of GDP. At the same time, in 2026-2027, the revenue targets of the consolidated budget are projected at 30.1% and 30.5% of GDP, respectively, and the expenditure targets are projected at 33.2% and 33.5% of GDP, respectively.

In the coming years, the maximum volume of new agreements signed annually on behalf of the Republic of Uzbekistan and under the guarantee of the Republic of Uzbekistan on attracting external borrowings is set at 4.5 billion US dollars, of which 2.5 billion US dollars are allocated to support the State budget, including financing the budget deficit, and the remaining part - to financing investment projects.

Measures will be strengthened to prevent the growth of external debt attracted to support the budget by adhering to the introduced budget rule on the consolidated budget deficit in the medium term, while achieving the strategic goal of not exceeding the 50 percent limit of the ratio of public debt to GDP by attracting external debt, mainly to highly effective investment projects. The consolidated budget deficit, arising in the medium term, is mainly covered by attracting external debt, issuing government treasury bonds, receipts from the privatization of state assets, balances at the beginning of the year, and other sources.



**Table 2**  
**Difference of budget indicators established by the Law on the State Budget for 2024 from updated forecasts [10], trillion soums**

Law of the Republic of Uzbekistan, No. LRU-886 dated December 25, 2023			Forecast " + " more, " - " less		
	2024	2025	2024*	2025	
<b>I.</b>	<b>Consolidated budget revenues</b>		<b>+4,3</b>	<b>-14,8</b>	
1.	State Budget revenues**	270,4	330,6	+4,0	-5,9
2.	STF Income**	55,3	63,9	-	+0,4
3.	FRD Revenues	18,9	22,8	+0,3	-6,8
4.	Receipts to extrabudgetary funds of budget organizations	30,5	35,3	-	-2,9
<b>II.</b>	<b>Consolidated budget expenditures</b>		<b>+4,4</b>	<b>-14,0</b>	
1.	State Budget Expenditures**	280,7	323,8	+2,1	-12,3
2.	STF Expenditures	85,8	99,1	-	-1,3
3.	Expenditure of FRD funds	18,8	22,8	+2,3	-
4.	Expenditure of extrabudgetary funds of budget organizations	30,5	35,3	-	-2,9
5.	Expenditures on state programs from external debt	11,8	17,4	-	+2,5
<b>III.</b>	<b>Transfers to STF</b>		<b>-</b>	<b>-3,2</b>	
<b>IV.</b>	<b>Consolidated Budget Balance</b>		<b>+0,1</b>	<b>+0,9</b>	
<b>V.</b>	<b>State budget and STF balance</b>		<b>-1,9</b>	<b>-8,5</b>	

One of the most important decisions in fiscal policy was the meeting of the President with entrepreneurs on December 27, 2024. Entrepreneurs openly expressed their views on the industry and expressed their proposals. It is gratifying that there are proposals for equal conditions for everyone, not privileges, as before. Following a thorough review of the issues raised, Decree PF-229 "On Further Measures to Ensure Equal Conditions and a Fair Competitive Environment for Entrepreneurs" was signed on December 27th.

This decree can serve as a basis for improving the competitive environment, protecting the legitimate interests of entrepreneurs, and creating favorable conditions for their business activities. Such work, aimed at strengthening interaction between the state and the private sector through dialogue with entrepreneurs, will serve to further improve the business environment in the future.

Based on the foregoing, improving fiscal policy contributes to ensuring economic stability and increasing social well-being. Optimization of the tax system and budget ensures effective management of public finances. Proper management of public debt reduces economic risks. In the long term, they will support economic growth.

## CONCLUSION AND RECOMMENDATIONS

From the foregoing, it can be concluded that it is necessary to reduce the level of tax burden on the economy, as well as to eliminate imbalances in the level of tax burden between economic entities that pay taxes under the simplified and generally established taxation system.

It is also necessary to optimize the number of taxes through their unification, as well as to combine taxes with a similar tax base, reduce and simplify tax reporting, and minimize operating costs.

In this regard, it is important to ensure the stability of the macroeconomic situation, the stability of the formation of the state budget of Uzbekistan and its revenues.

The most important issues will be the simplification of tax legislation, the elimination of contradictions and conflicts in regulatory legal acts in the field of tax relations, and the strengthening of the protection of the rights and legitimate interests of conscientious taxpayers.

In particular, ensuring the stability of tax legislation and the direct application of the norms of the Tax Code of the Republic of Uzbekistan, including establishing the amounts of tax and other mandatory payment rates in the



Code, with the maximum limitation of cross-references and by-laws regulating taxation issues, will create conveniences for taxpayers.

Maintaining a favorable regime for foreign investors and investments, providing them with comprehensive support and reliable legal protection is one of the main directions of fiscal policy.

Furthermore, improving the forms and mechanisms of tax control, including through the widespread introduction of modern information and communication technologies that ensure more comprehensive coverage and accounting of taxable objects and taxpayers, and introducing taxation procedures for transactions related to transfer pricing are key directions of fiscal policy.

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