JOURNAL OF MULTIDISCIPLINARY SCIENCES AND INNOVATIONS
GERMAN INTERNATIONAL JOURNALS COMPANY
ISSN: 2751-4390
IMPACT FACTOR (RESEARCH BIB) : 9,08. Academic reserach index

THE ROLE OF LOCAL GOVERNMENT AUTHORITIES IN PUBLIC FINANCE MANAGEMENT IN FOREIGN COUNTRIES

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The autonomy of local government authorities represents a crucial and intriguing issue. Several factors contribute to the establishment of such autonomy, among which financial independence stands out as one of the most significant. In the Polish legal system, the fundamental principles of the finances of local self-government units are accorded the highest legal status, having been incorporated into the Constitution of 1997. The financial autonomy of local self-government entities is expressed through their ability to independently generate financial resources and to allocate and utilize these resources at their own discretion. For the state, what is particularly important is not merely the receipt of funds from the state budget, but rather the establishment of a legal basis for financial self-sufficiency. The degree of financial independence enjoyed by local self-government bodies serves as a key indicator of their overall autonomy.
Keywords: local self-government, financial autonomy, financial independence, structure of local budgets, local revenues, local expenditures.

Introduction

In academic discourse, considerations regarding autonomy are often closely linked to the broader process of achieving full statehood—particularly the attainment of a recognized status in international relations. However, in light of the evolving trends in the development of self-governance systems across Europe, the expanding scope of responsibilities assigned to local governments, and the central theme of this conference, the study of autonomy in the context of financial independence of local authorities is of particular relevance.
It is important to acknowledge that the issue of autonomy for local self-government bodies cannot be approached using the same frameworks and objectives as those applied to autonomy aimed at statehood. The process of defining and strengthening the legal foundations of local self-government, especially in the context of financial independence, requires thorough analysis and critical assessment. It is precisely this financial independence that enables local authorities to fully carry out their functions as defined by law.
It should be emphasized that this discussion pertains to the concept of financial security of local governments. As a systemic notion, financial security determines the degree of financial independence of local self-government bodies and is practically reflected in their level of autonomy over revenue generation{1}.
For instance, territorial self-governance reform in Poland has revealed that key decisions regarding the sources of local government revenues are made outside the jurisdiction of local authorities. This significantly limits the scope of financial autonomy. In practice, Polish local governments have little influence over the volume and scale of their income. Nevertheless, the existing legal framework, along with systems for redistribution and oversight of public funds,

functions effectively and directly contributes to the stabilization of the local self-government system. This stability fosters self-governance, financial self-reliance, and dependence on internal capabilities.

Geographically closer to Poland, Ukraine presents a contrasting case. On one hand, it has declared a desire for positive internal transformation and eventual membership in the European Union; on the other hand, it is marked by a lack of substantive legal reforms in the sphere of local governance. In practice, Ukraine remains entrenched in the administrative structures of the previous political era. Despite commitments from the country's highest authorities, including the President, to implement reforms such as the decentralization of power, actual progress remains limited{2}. Notably, Ukraine ratified the European Charter of Local Self-Government in 1997, thereby undertaking an obligation to strengthen the rights and autonomy of its local authorities.

The subject of this study is the autonomy of local self-government bodies under conditions of insufficient financial independence. The research underscores that local authorities remain financially dependent on the central government. Their limited own-source revenues render them reliant on subsidies from the central budget.

Literature Review Related to the Topic

According to the *Budget Code* and in alignment with the "Uzbekistan – 2030" Strategy, the government aims to implement a flexible fiscal policy capable of adapting to both external and internal shocks, with the overarching goal of ensuring long-term sustainable economic growth. The key medium- and long-term objectives outlined in this strategy include:

– Elevating Uzbekistan to the group of upper-middle-income countries through sustained economic growth;
– Limiting the consolidated budget deficit to no more than 3% of GDP;
– Ensuring that public debt does not exceed 50% of GDP;
– Reducing the share of the "shadow economy";
– Gradually transitioning to a "results-oriented budgeting" framework;
– Aligning tax and customs legislation, as well as subsidies and incentives provided to various sectors of the economy, with World Trade Organization (WTO) standards;
– Maintaining the social orientation of public budget expenditures.

Furthermore, Uzbekistan has adopted a comprehensive set of long-term measures for the development of a "green economy," in collaboration with the United Nations and in connection with the 2030 Agenda for Sustainable Development. Since 2015, the Republic of Uzbekistan has declared its support for the UN's 2030 Agenda, consisting of 17 Sustainable Development Goals (SDGs) and 169 associated targets, and has undertaken broad efforts to advance sustainable development within the country [3].

In contemporary, highly developed democratic countries, local governance constitutes a fundamental component of the territorial structure of the state and functions as an institution of relative autonomy. It serves as a mechanism for decentralizing state authority, operating within and on the basis of the law, and embodying a form of national self-governance. Local government is characterized by several key features: it possesses legal personality, is partially based on popular elections, and operates as a democratically structured entity acting in its own name and under its own responsibility.

Administrative functions within the sphere of public governance are subject to the principles of relative independence, are supervised by an independent judiciary, and involve mandatory membership for all residents under the jurisdiction of the local government unit [4].

Legislation may assign self-governance responsibilities to communes, districts, and voivodeships (the largest administrative divisions), including tasks within the scope of public administration. These responsibilities may also extend to organizing and conducting general elections and referendums. Urban and district communities may carry out additional public administrative tasks based on agreements with state administration bodies. Furthermore, urban and district local

government units may perform specific functions within the competence of other local government bodies under inter-municipal agreements concluded between interested administrative units.
To fulfill their legally mandated functions, local government bodies may establish organizational units and enter into contracts with other entities, including non-governmental organizations. Additionally, provinces, districts, and voivodeships have the right to engage in cooperative relations with local and regional communities from other countries [5].

Analysis and Findings

Local government autonomy is one of the fundamental principles enshrined in the *European Charter of Local Self-Government* (11 October 1981). This autonomy must be expressed through the ability to independently determine territorial boundaries, shape internal organizational structures, and allow elected local representatives to freely exercise their mandates. It is essential that local authorities possess their own financial resources and enjoy the right to manage them independently. These guarantees of autonomy are promoted and required at the European level [6]. In this context, Ukraine serves as a classical example of the deficiency of democratic principles, including a lack of local autonomy.
Recent conceptual developments indicate that the financial independence of local self-government bodies manifests in two key dimensions: the autonomy of local government revenues and the right to make independent decisions regarding expenditures. These two elements must be supported by clear and transparent legal norms that ensure concrete and reliable sources of revenue, along with extensive autonomy in managing expenditures for local governance bodies.
As previously noted, the case of Ukraine—and of other post-socialist countries, such as Poland—demonstrates that the issue of financial autonomy for local self-government remains both pressing and significant. From the perspective of shared constitutional values, it is necessary to ensure the clear and transparent distribution of responsibilities and accountability between central government authorities and various levels of local self-government. This requirement highlights the need for more in-depth discussions on local government autonomy.
It should be emphasized that although the latest phases of local government reform in Poland have been aimed at expanding responsibilities (thus enhancing autonomy), local government authorities contend that the financial resources provided for fulfilling these responsibilities remain insufficient [7].
In recent years, certain developments in this field have provoked discontent among local government bodies, as the financial resources allocated by the central government have proven insufficient to support the tasks delegated to the local level. Although no constitutional violations were identified, the Constitutional Court, in its ruling on this matter, stated: "The principle of proportionality cannot be regarded as absolute, but the boundaries of interference with this principle must be defined." Within the jurisdiction of the Constitutional Court, changes to sources of revenue are deemed permissible under the following conditions: there is no clear disproportion between the volume of tasks and the level of income; local participation in state revenues is not excluded; the legislature does not fundamentally infringe upon the financial autonomy of local self-government bodies; and legally established income sources provide a sufficient share in national revenue relative to their responsibilities and do not deprive local governments of their revenue in practice.
Decisions regarding the implementation and financing of functions without centralization represent a tangible example of cooperation between legislative, executive, and judicial authorities in the realization of the idea of local self-government autonomy.
Returning to the core issue, it should be emphasized that although the financial system of local self-government is regulated by several legal acts, the main catalogue of revenues is specified in the *Law on Local Government Revenues* [8]. This law defines the sources of income for Poland's three-tier system of self-government—gmina (municipality), powiat (district), and voivodeship

(province). The legislature has regulated financial management for each level separately within specific chapters.
In the literature, the budget is regarded as an annual financial plan, adopted through a special legislative procedure [9]. The primary aim of the budget is to plan the scheme of revenues and expenditures. The core principles of budgeting include: the principle of unity, transparency, balance, and accuracy. Of particular importance is the principle of a balanced budget. Maintaining equilibrium between revenues and expenditures is a significant issue across various levels of public administration.
The allocation of funds to local self-government bodies and their independence in seeking new financial sources is based on the distribution of powers between central and local governments. Over the years, the system of fund distribution in Poland has developed. One of the most pressing issues is the budget deficit. According to the law, this deficit is covered by local self-government bodies through the issuance of securities, loans, and borrowing.
Another important issue is the possibility of local self-government bodies engaging in economic activities outside the scope of public benefit. According to Article 10 of the *Law on the Management of Municipal Services* [10], local self-government bodies are permitted to establish or join commercial enterprises outside the scope of public needs. The legislature has defined two conditions: first, there must be a situation where local markets cannot satisfy community needs; second, unemployment must exist and negatively affect the living standards of the population.
The restrictions mentioned in Article 10 do not apply to certain sectors such as banking, insurance, consultancy, education, publishing, as well as companies that play an important role in the development of society, including sports clubs. This allows local governments to earn additional income through dividends. However, it is important to recognize that allowing unrestricted commercial activities may negatively impact the legal responsibilities of local self-governance.

Comparative Analysis of State Finances in Poland, Ukraine, and Uzbekistan

	Poland	**Ukraine**	**Uzbekistan**
State Budget and Taxes	-As a member of the European Union, Poland's state finances are aligned with European standards. -The tax system is well-established, with VAT (23%), income tax (17-32%), and corporate tax (19%). -Local self-government bodies manage a portion of tax revenues independently.	-Ukraine's state budget is centralized, but decentralization processes are ongoing. -The tax system includes VAT (20%), income tax (18%), and corporate tax (18%). -There are issues with tax collection, and the informal economy is widespread.	-In recent years, tax reforms have been implemented, with VAT at 12%, income tax (12%), and corporate tax (15%). -Budget allocation is heavily centralized, but efforts to increase financial independence at the local level are underway.

State Debt and Financial Stability	-Poland's state debt is around 50-55% of GDP, which is considered stable. -The debt management strategy is clear and in line with EU requirements.	Ukraine has a high state debt (70-80% of GDP), with significant reliance on external assistance (IMF, World Bank). -Financial stability is seriously threatened due to the ongoing war with Russia.	Uzbekistan's state debt is relatively lower (40-45% of GDP), though recent years have seen an increase in borrowing. -A significant portion of the debt is directed towards state investment programs.
Local Finance and Autonomy	-Local self-government bodies in Poland have broad financial authority. -A large portion of the budget is formed and spent at the local level, ensuring financial independence and effectiveness in local governance.	-Decentralization reforms are ongoing, but financial autonomy at the local level remains insufficient. -Many communities still rely on central government assistance.	-Local governments' budgets are approved by the central government. -Reforms aimed at increasing financial independence are being implemented, but they have not yet been fully realized.

Poland – Has a developed and integrated financial system.
Ukraine – Faces financial difficulties due to issues related to economic and political stability.
Uzbekistan – Has a transitional economy with ongoing financial reforms, but centralization remains strong.

Conclusion

Understanding the autonomy of local self-government can benefit from looking back at ancient Rome. The history of the Roman Empire, with its unique characteristics, was deeply intertwined with the subjugation of various peoples and cultures. Roman jurists, while serving in government at various times, tried to choose and propose the best institutions to ensure the integrity of the empire. Ultimately, the model of granting autonomy to local governments proved to be the most effective. However, some restrictions existed—local governments could only make decisions on local matters. Municipalities or colonies could serve as examples of such autonomy.

An analysis of the historical and legal situation shows a clear tendency toward the development of local self-government autonomy depending on political systems or historical periods. The necessity to maintain a certain degree of autonomy for local communities remains significant. This includes the scope of financial management, control over expenditures, and ensuring priority investments for local populations. The current issues in Poland and the European Union regarding the development of local self-government institutions and the national social contract, as outlined in the Constitution, are important and highly complex matters for various political groups.

One of the main demands of this analysis is the creation of new forms of autonomous institutions for local self-government bodies. The condition is to ensure that these institutions do not violate the basic interests of the state and do not undermine the overall power of the state. Therefore, the research should ensure the possibility of periodic implementation of broader consultations with the public and the introduction of new and additional tools for financial management in local self-government bodies. A real example of this is the issue of restrictions outlined in Article 10, Clause 3 of the "Law on Municipal Services." Furthermore, it is necessary to return to the restrictions outlined in Clauses 1 and 2 of the same law. These restrictions do not apply to local

self-government bodies engaging in banking, insurance, business consulting, promotional activities for local governance, education, publishing activities, or owning shares and stakes in companies that play a significant role in the development of society.
The issue or question regarding new and diverse activities might not be significant nationwide, but it could be extremely important for certain local self-government bodies due to their specific location. Here, we are referring to the forms of profit derived from promoting special tourism opportunities or leisure spots. There are some well-known examples of local self-government bodies engaging in such activities—such as investments related to cable railways in Zakopane. However, in my opinion, these are cautious steps that reflect a very careful interpretation of legal norms.
Other examples of local self-government bodies with low budgets can be cited, which generate income solely from agricultural taxes. Under the current legal situation, these bodies do not have the opportunity to engage in banking, insurance, education, or publishing activities. These local self-government bodies might possess characteristics that could be used for commercial purposes in the modern world, but in this legal situation, they are restricted to receiving funds from the central budget.
The discussion on the financial independence of local self-government bodies continues, and this is a natural situation. However, the current problem is that although many legal norms provide local self-government bodies the opportunity to demonstrate their creativity, some small groups are forced to operate only under stagnation conditions. Finally, the differences in the capabilities of various local self-government bodies, the volume of investments, and the scope of efforts to combat unemployment are increasing. It must be clearly stated that this is partly due to the shortcomings in existing legal norms.

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