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Ways To Improve The Use Of Fiscal Policy To Reduce Poverty

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Abstract – We all know that today in the regions of the Republic, especially in rural areas, the majority of the population does not have a sufficient source of income. As in other parts of the world, Uzbekistan is poor. The country is implementing short-term and long-term strategic measures to reduce poverty. Shortterm measures are mainly aimed at eliminating the risk of the population moving from poverty to poverty. This article outlines fiscal policy priorities and implementation strategies for poverty reduction.

Keywords – Budget Policy, Poverty Factors, Public Credit Policy, Business Profits, Exports, Imports.

I. Introduction

Poverty is a multidimensional problem that transcends economics and includes, among other things, social, political and cultural issues. Consequently, solutions to the problem of poverty cannot be based solely on economic policy, but require a comprehensive set of well-coordinated measures. Indeed, it is the basis for the rationale for comprehensive poverty reduction strategies [1]. So why focus on macroeconomic issues? Because economic growth is the most important factor affecting poverty, and macroeconomic stability is essential for high and sustainable growth. Consequently, macroeconomic stability should be a key component of any poverty reduction strategy.

However, macroeconomic stability by itself does not provide high rates of economic growth. In most cases, sustained high growth is also dependent on key structural measures such as regulatory reform, privatization, civil service reform, better governance, trade liberalization, and banking sector reform, many of which are discussed in detail in the Poverty Reduction Strategy Paper. Moreover, growth alone is not enough to reduce poverty. Economic growth, poverty reduction and social tranquility are all undermined when public expenditure management and taxation are weak and budget deficits and public debt are not managed successfully. And largescale aid and debt relief cannot work without a good fiscal system. The macroeconomic foundations of many poor countries are improving, but the full potential of fiscal policy will not be realized until reliable and accountable systems of spending and taxation are built. Good fiscal policy can boost economic growth through well-chosen public investment, provided that spending is large enough. Growth itself increases the tax base, creating the potential to increase government spending on poverty reduction. Tax reform can be an instrument of peace, when inequitable distribution of costs and taxation generates discontent that escalates into violence [2].

II. Literature review

In studies of the causes and place of poverty in society, the period from the 18th to the first half of the 20th centuries is distinguished (A. Smith, D. Ricardo, T. Malthus, G. Spencer, J. Proudhon, E. Reclus, K. Marx, C. Booth and S. Rowntree) and studies of poverty in the XX century (F.A. Hayek, P. Townsend and others). Already the works of A. Smith have revealed the relative nature of poverty through the connection between poverty and social shame, that is, the gap between social standards and the material ability to adhere to them. Back in the 19th century, it was proposed to calculate the poverty line based on family budgets and thereby introduce the criterion of absolute poverty, to link the criteria for determining poverty with the level of income and meeting the basic needs of an individual associated with maintaining a certain level of his working capacity and health[3].

The American economist Jeffrey Sachs, in his book The End of Poverty, identifies six types of capital that can help society escape poverty, including human capital, business capital, infrastructure, natural capital, social capital, and knowledge capital [4].

III. Research methodology

Methods such as scientific abstraction, dialectical research, induction and deduction, target development, expert evaluation and economic statistics in the development of scientifically based conclusions and recommendations based on the systematization of the results of the analysis widely used.

IV. Analysis and results

Demographic growth is leading to an increase in demand for food and energy. By 2030, food supply will increase by 50 percent and clean drinking water consumption by 30 percent.

According to the State Statistics Committee of the Republic of Uzbekistan (Table 1), in 2015-2018, the level of poverty in Uzbekistan decreased from 12.8% to 11.4%, in cities from 9.5% to 8.4%, in rural areas from 15.9% to 14.3%.

Table 1. The share of low-income population in the Republic of Uzbekistan [6],%

Proportion of low-income population	**2015**	**2016**	**2017**	**2018**
in the republic	12,8	12,3	11,9	11,4
in urban areas	9,5	9,2	8,7	8,4
in rural areas	15,9	15,1	14,8	14,3

Today, there are more than 12,000 enterprises of various forms of ownership in the food industry, including 109 large enterprises. In particular, processing and storage of 3,351 fruits and vegetables, processing of 856 meat and 1,395 dairy products, production of 1,281 confectionery products, production of 375 oil and fat enterprises and more than 4,700 other food products enterprises are operating [7].

The Global Hunger Index was conducted among 132 countries, and in 2020 Uzbekistan was ranked 30th and 2nd among Central Asian countries.

Table 2. Indicators of Central Asian countries in the Global Hunger Index for 2000-2020 [8]

Country	2000 y.	2005 y.	2010 y.	2019 y.	2020 y.
Kazakhstan	11,0	12,4	8,6	5,5	5,4
Kyrgyzstan	19,3	14,0	12,4	8,8	8,4
Uzbekistan	23,6	17,8	14,7	10,7	6,7
Turkmenistan	21,8	17,1	15,0	11,8	11,1

Among the Central Asian countries, the hunger index of four countries: Uzbekistan, Kazakhstan, Kyrgyzstan and Turkmenistan will be published in this ranking. According to 2000 data, Uzbekistan is one of the countries with the highest level of hunger, and by 2020 it will be one of the countries with the lowest levels of hunger. With a score of 6.7, it ranked 2nd among Central Asian countries after Kazakhstan.

Typically, in developing countries, tax instruments are used from the state budget to increase social protection and reduce poverty, and the tax rate is increased. But an ill-conceived policy, the lack of a strategy to reduce poverty, complicates the situation.

Once a country has developed a comprehensive and fully cost-effective draft of its poverty reduction strategy, it will need to ensure that the strategy is implemented and financed in a way that does not jeopardize its macroeconomic stability and growth goals. [9] To do this, policymakers need to integrate their poverty reduction and macroeconomic strategies into a coherent framework.

The starting point is the initial formulation of a country's poverty reduction strategy, based on discussions with government officials, stakeholders and development partners. Ideally, these discussions should lead to the development of a comprehensive action plan that identifies priority sectoral strategies to support poverty reduction, including in the areas of education, health and rural infrastructure. Given that poverty is multidimensional, the action plan is likely to also include priority actions for governance, structural reform, and other relevant areas, each of which may have fiscal implications.

The first step will be to provide the full cost of the proposed poverty reduction strategy. An integrated budgeting system for poverty reduction strategies requires the development of a medium-term spending framework.

The second step involves evaluating the public spending program in relation to priority spending, non-discretionary spending, and discretionary non-priority spending. In doing so, policymakers should consider opportunities to reallocate existing public spending to priority areas and away from unproductive, non-priority spending, and from areas where there is no justification for government intervention.

The third stage includes an assessment of internal and external sources of budgetary funding. This will include an overview of (1) the existing tax and non-tax income base, including the impact of any changes to the tax system foreseen in the poverty reduction strategy; (2) the ability to finance public spending through net domestic borrowing in light of the need to maintain macroeconomic stability and ensure adequate availability of credit for the private sector to support private sector development and economic growth; and (3) external financing options (eg grants, net external borrowing and debt relief) that are realistic and sustainable in the current circumstances.

Fiscal policy can have a direct impact on the poor, both through the overall fiscal stance of the government and through the distributional consequences of tax policy and government spending. Structural fiscal reforms in budget and treasury management, public administration, governance, transparency and accountability can also benefit the poor in terms of more efficient and targeted use of public resources.

A key aspect of any poverty reduction strategy will be to assess the impact of the current tax and non-tax system on the poor. Raising domestic income levels to provide additional income to support their poverty reduction strategies will be an important medium-term goal for many developing countries. The existing income base needs to be redefined in terms of its ability to meet poverty spending needs through non-bank domestic financing. Revenues should be increased as economically neutral as possible, taking into account equity considerations and administrative capacity In a developing country, accounting for distributional effects means that the tax system, in particular, should not try to influence savings and investment - experience shows that aggregate savings and investment tend to be tax-insensitive, with the result that the tax system usually only affects distribution these aggregates in alternative forms. In terms of equity, the tax system should be assessed in terms of its direct and indirect impact on the poor. It is difficult to have a tax system that is both efficient and progressive, especially in countries where there is no well-developed tax administration. Consequently, governments should seek to determine the distribution of the tax burden that is generally considered fair, rather than using the tax system to achieve dramatic redistribution of income.

Tax policy should aim to move towards a system of easily manageable taxes with a broad base and moderate marginal rates. To the extent that some income provisions may be regressive, they must be offset through the spending system (for example, temporary targeted food subsidies can offset the impact of a broad consumption tax and mitigate the negative impact of adjustment policies on the poor). Finally, where the revenue system is run by the civil service, which is severely limited in terms of human resources, technical support and funding, countries must rely heavily on final retention and keep any exceptions, special provisions or multiple rates to an absolute minimum.

The amount of domestic fiscal financing will depend on a number of factors, including the sustained rate of growth of the money supply, the lending needs of the private sector, the relative productivity of public investment, and the desired target for net international reserves. Sacrificing low inflation (through faster money growth) to finance additional spending is generally not an effective means of poverty reduction, as the poor are most vulnerable to price rises. At the same time, since private sector development is at the center of any poverty reduction strategy, governments need to consider the extent to which public sector borrowing is crowding out private sector access to credit, thereby undermining national growth and inflation.

The amount and type of external resources available to finance the budget will vary depending on the specific circumstances faced by the country. Countries with access to external grants need to think about how much is available and sustainable in the current circumstances. It is the same with external debt, but policymakers also need to determine whether the terms of such borrowing are appropriate and whether the additional debt burden is acceptable. To the extent that a country benefits from, or can benefit from, external debt relief through the enhanced Heavily Indebted Poor Countries Initiative, net resource flows - flows that are predictable over the medium term - will be freed up to finance poverty. - related to budget expenditures.

V. Conclusion and recommendations

Establishing a link between fiscal policy and growth remains one of the most methodologically challenging issues in economic development, and the implications of fiscal policy poverty have turned out to be easier than tracking changes in public spending on basic services and infrastructure. . To understand the latter, we need to apply a wide range of quantitative and qualitative techniques, especially in understanding that the majority of the chronically poor are largely excluded from the public welfare system. It is important to recognize the role of unfair spending and taxation in instigating complaints that lead to civil war.

Improving our technical understanding of how fiscal policy works for development is certainly critical, but fiscal policy is not just a matter of good economics; it is also the basis of development policy. Who gets what from the state, how public spending is financed and who pays, how society is governed, and whether policy choices give priority to the poor. In this sense, fiscal policy probably provides more information about a country’s development strategy than other areas of policy.

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